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Daily Report

Central Eurasia

FBIS-SOV-95-132
Tuesday
11 July 1995

Daily Report
Central Eurasia

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NOTICE: An * indicates material not previously disseminated in electronic form.

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CIS Deputy Foreign Ministers Meet in Bishkek

LD1107091495 Bishkek Kyrgyz Radio First Program Network in Russian 0500 GMT 11 Jul 95

[FBIS Translated Text] Yesterday, delegations from Russia, Ukraine, Kazakhstan, Tajikistan, Moldova, Armenia, and Turkmenistan arrived in Bishkek to take part in consultations, which are continuing today, between deputy foreign ministers of the CIS states. The topics of the meetings will be the problems of European security and cooperation, the issues of strengthening and making the OSCE more effective, further developing relations with NATO within the framework of the Partnership for Peace program, and participation in the North Atlantic Cooperation Council.

During the talks, it is important that the sides intend to exchange experiences in solving international problems, and to discuss prospects for contacts between CIS states in the light of European problems. The main goal is to develop common positions on ensuring peace and stability in their regions. The Kyrgyz delegation, led by the foreign minister of the republic, Roza Otunbayeva, is to take an active part in this important work.

ITAR-TASS Carries Press Review for 11 Jul

LD1107083095 Moscow ITAR-TASS in English 0612 GMT 11 Jul 95

["Press Review" — ITAR-TASS headline]

[FBIS Transcribed Text] MOSCOW July 11 (ITAR-TASS) — Today's Moscow-based newspapers highlight hearings that have begun in the Constitutional Court of Russia on whether Presidential decrees and government resolutions, on the strength of which combat operations were launched in Chechnya in December last year, were in keeping with the Constitution of Russia.

IZVESTIYA gives the opinions of representatives from both sides of the judicial procedure. Givi Yakovlev, Official Representtative of the Federation Council at the hearings, believes that "the scrutiny of the constitutionality of the Presidetial decrees and government resolutions has been dragged out too much".

Yakovlev is of the opinion that "in such a situation, considering the unsteady situation in Chechnya itself — there is neither peace nor war there — it was hardly advisable to fix hearings for now. It would have been possible to wait until the talks are completed".

According to Valeriy Savitskiy, Plenipotentiary Representative of the President of Russia in the Constitutional Court, "the hearings will in no way interfere with the peacemaking initiatives in Groznyy of the judges manage to keep the proceedings within the legal framework and if the sides discuss legal issues, not political ones."

KOMSOMOLSKAYA PRAVDA points out that "as far as the Constitutional judges' belated view of the Chechnya crisis is concerned, they have, seemingly, nothing to be blamed for. The Constitutional Court is outside politics and it should not have considered any case on the strength of only a military newsreel". In a bid to foretell the outcome of the examination of this case by the Constitutional Court, the writer of an article to this effect arrives at a conclusion that "the independent judges, most likely, will recognise as unconstitutuional only some proviasions of documents which substaniate and justify the strongarm option".

ROSSIYSKIYE VESTI believes that "the examination of the case as to whether the Presidetial decrees and government resolutions were in keeping with the Constitution of the Russian Federation will be long and complex".

"The problem is both in the difference of approaches by the sides and in the existence of a large number of complexities: the difference of attitudes by Federal Assembly Houses, a large number of experts, and the lack of the sides' unity in the understanding of the most essential aspects of the current examination process".

TRUD is of the opinion that "the political consequences of any decision to be taken by the Constitutional Court will be very important."

ROSSIYSKIYE VESTI carries an interview with Mikhail Krasnov, Presidential Aide and member of the Russian delegation. who comments on the talks in Groznyy. The package of political issues is the most difficult to discuss, he said.

"The Chechen side still demands Chechnya's sovereignty and secession from Russia. We cannot agree with that and suggest discussing the issue after Dudayev forces are disarmed and free elections are held in November this year", Krasnov said.

ROSSIYSKIYE VESTI runs an interview with Presidential Aide Georgiy Satarov, who dwells on the forthcoming parliamentary elections.

Touching upon the possibility of an electoral win by the "intransigent opposition", Satarov pointed out that "the Communist Party, led by (Gennadiy) Zyuganov, and the Liberal Democrats, led by (Vladimir) Zhirinovskiy will not poll more votes than they gained at the 1993 elections for two reasons".

Satarov believes that "their political field must be narrowed by the Centre-Left bloc headed by (Ivan)

Rybkin. The other reason is, in Satarov's view, the emergence of a multitude of other small parties and movements at the forthcoming elections.

Davydov Hands Yeltsin Message to ROK President

LD1107091695 Moscow ITAR-TASS in English 0852 GMT 11 Jul 95

[By Nikolay Geronin]

[FBIS Transcribed Text] Seoul July 11 (ITAR-TASS) — Russian Vice Premier Oleg Davydov, currently paying an official visit to Seoul at the head of a Russian government delegation, was today received by President Kim Yong-sam of the Republic of Korea.

Davydov handed to the South Korean leader a personal message from Russian President Boris Yeltsin, expressing a desire to promote relations between the Russian Federation and the Republic of Korea.

The South Korean President was informed about the economic and political situation in Russia, the steady development of the ongoing reforms, successes in the effort to combat inflation, steps to overcome the production slump and ensure the rouble's stability.

The sides exchanged views on the current state of bilateral relations, which have been developing successfully after last year's meeting in Moscow between Boris Yeltsin and Kim Yong-sam.

The talk touched on Russia's integration into the world economic community, on Russia's membership in the World Trade Organisation. The President of the Republic of Korea went on record for Russia's accession to the international economic space in light of its weight in the contemporary world.

Grachev Talks With South African Counterpart

MM1107111295 Moscow KRASNAYA ZVEZDA in Russian 11 Jul 95 p 1

[Report by Aleksandr Golts: "Russia-South Africa: Prospects for Military Cooperation"]

[FBIS Translated Text] Russian Defense Minister Army General Pavel Grachev received Republic of South Africa Defense Minister Joe Modise, who is paying an official visit to our country, 10 July. Stressing during the meeting that our countries are just beginning their cooperation in the military sphere and in strengthening international security, Pavel Grachev set out for his guest the most promising areas of this cooperation. They discussed regular exchanges of visits by military delegations, subunits of the Air Forces and ground troops, and visits by ships. It is also intended to conduct joint military exercises and train national cadres for the RSA Army at Russian military educational establishments, exchange information and views on problems of international security and stability, and establish regular contacts between the two countries' general staffs.

The prospects for Russian-RSA military-technical cooperation are extremely extensive. Pavel Grachev emphasized that during Joe Modise's visit there will be an opportunity to study countless pieces of our military hardware and to visit defense enterprises. Meetings are scheduled with Russian defense industry leaders. And whereas previously contacts with the RSA in this sphere were carried out by individual enterprises of ours, now the cooperation will be coordinated on a state-wide scale.

Joe Modise particularly pointed out that the people of South Africa are profoundly grateful to the Russian people for their years-long help and support in the fight that led to fundamental change in the RSA. And now that the RSA has become a democratic state and a universally recognized member of the world community it intends to cooperate with Russia in all areas.

It is intended to sign an agreement on bilateral military cooperation based on the results of the visit.

Kozyrev Criticized for 'Triumphant' Tone

MM1007141295 Moscow KRASNAYA ZVEZDA in Russian 8 Jul 95 p 2

[Report by Aleksandr Golts: "Strengthening the CIS Is the Most Important Task for Our Diplomacy"]

[FBIS Translated Text] Andrey Kozyrev's four speeches this week — in the Federation Council, at the Foreign Policy Council session, and also at the conferences of Russian ambassadors to the countries of the CIS and the Asia-Pacific region — enabled the head of the diplomatic department to outline very definitely the range of Moscow's foreign policy interests.

These undoubtedly include the further development of relations with the world's major industrially developed states. In Kozyrev's opinion, the results of the Halifax summit were a major success for our foreign policy, demonstrating what was essentially the turning of "the seven" into the political "eight."

Talking with journalists, the head of the Ministry of Foreign Affairs did not deny the problems that exist. According to him, the events in Chechnya added nothing positive, but at the same time Russia's relations of partnership with Western and Eastern countries "withstood this load or, rather, overload."

Touching on the problems of relations with NATO, Kozyrev emphasized that Moscow resolutely opposes that bloc's enlargement. At the same time the minister insisted on the viewpoint that it is not the North

Atlantic bloc but the OSCE [Organization for Security and Cooperation in Europe] that is the most important all-European instrument. As for the eastern salient of foreign policy, here special attention is devoted to arranging strategic parity with China.

Despite all the importance of these problems, however, there is no more important task for Russian diplomacy today than that of strengthening the CIS. Here it is necessary to promote the processes of integration, the ensuring of stability, and the protection of compatriots' rights. It is significant that Andrey Kozyrev particularly singled out here the sphere of security. A number of CIS countries are experiencing external threats and have an interest in Russian military bases. In the minister's opinion, these bases should exist. Kozyrev voiced the hope that all the CIS states would subscribe to the agreement on joint guarding of borders. After emphasizing that the Commonwealth is "acquiring experience in and potential for independent peacekeeping," he urged the Federation Council to continue supporting these operations in Abkhazia, Tajikistan, and other "hot spots."

Here the minister met with support and understanding from the regional leaders, who are perfectly well aware themselves of the consequences attending instability in the post-Soviet area. But the need to support these operations still has to be proved at the United Nations, which is in no hurry to give assistance here.

When the minister addressed the diplomats who deal with the Commonwealth's problems, he insisted that it was necessary to strive for the same attitude to the CIS on the part of the world community as to any other regional organization: NATO, the Western European Union, or the OAS. Because, if it were not for the CIS, the world community would have in the area of the former Soviet Union the same tragedy as the one that has been played out in the former Yugoslavia.

Whatever your attitude to Andrey Kozyrev, his speeches this week leave you with the feeling that Russia really has defined the most important areas of its foreign policy and is working quite persistently in them. The triumphalist tone is somewhat disconcerting. Because shortage of money is by no means the sole problem for our diplomacy. It has displayed a certain inconsistency both in resolving the problems of NATO and in a Yugoslav settlement, as well as in relations with the CIS countries. The time for triumphant reports has clearly not yet come.

Chernomyrdin Adviser on Gas Supply to Bosnia

LD1007183495 Moscow INTERFAX in English 1649 GMT 10 Jul 95

[From the "Diplomatic Panorama" feature: by diplomatic correspondents Aleksandr Korzun, Igor Porshnev, Yevgeniy Terekhov, and others]

[FBIS Transcribed Text] MOSCOW, July 10 (INTERFAX) — Only Russians can deliver gas and receive nothing in return, the Russian prime minister's advisor Mikhail Tarasov said with regards to the plans of Russia's Gazprom to cut gas supplies to Bosnia and Herzegovina in light of its debt to Russia of over $100 million.

"Any producer should receive profits for his production. This is generally-accepted practice. Who will compensate Gazprom for its losses? It is not important for Gazprom which country fails to pay: Bosnia and Herzegovina or Ukraine or somebody else," Tarasov said.

He said, "If Russia considers it necessary to continue gas delivery to Bosnia and Herzegovina the government should certainly pay Gazprom the appropriate amount."

Tarasov said that the problem involved not only economic but also political aspects. He said everyone knew that "the situation in Bosnia is on the verge of explosion. The more settling the problem is delayed the worse it will be," he added.

Tarasov said Russia had its political and economic interests in the Balkans. He said many countries had come to understand that the ex-Yugoslav problem could not be resolved without Russia. He said the problem should be resolved urgently with the participation of Russia, the OSCE [Organization for Security and Cooperation in Europe], the parties concerned and the parties involved into the conflict.

"It's inadmissible that a conflict burns in Europe where inter-confessional discord goes hand in hand with territorial claims and every conflicting party fears that its enemy may become stronger," Tarasov said.

Story of U.S. START Inspectors' Drinking Dismissed

MM1107092195 Moscow KRASNAYA ZVEZDA in Russian 8 Jul 95 p 2

[Interview with Colonel Valentin Romashov, chief of the Strategic Rocket Forces Center for Ensuring the Implementation of Treaties, by Ilshat Baychurin and Aleksandr Dolinin; date, place not given: "START I: No

Malfunctions at First Stage. Russian and U.S. Inspectors Confirm This" — first paragraph is introduction]

[FBIS Translated Text] July marks the fourth anniversary of the signing of the Treaty on the Limitation and Reduction of Strategic Offensive Arms (START I) in Moscow. At our correspondents' request Colonel Valentin Romashov, chief of the Strategic Rocket Forces [SRF] Center for Ensuring the Implementation of Treaties, described the implementation and the outcome of the inspection activity being carried out in connection with this treaty.

[Romashov] The second phase in the implementation of the START I Treaty began 1 July as planned (it came into force 5 December last year). In the last four months U.S. inspectors have visited SRF installations on over 40 occasions. U.S. installations have been given similar inspections.

[KRASNAYA ZVEZDA] I would like to know how our groups operate in the United States?

[Romashov] The procedure for visiting strategic offensive arms installations is laid down by a number of bilateral international agreements. It enshrines the signatory states' right to carry out inspections. The purpose of these inspections is to monitor fulfillment on site (at missile bases, arsenals, and other installations) of each side's treaty pledges.

I think you will find this interesting: The inspectors inform the other side of the inspection site at the point of departure (for the Americans this means Moscow and Ulan-Ude), and after this the host side is obliged to deliver the inspection group to the site within nine hours. The procedure for carrying out on-site inspections is determined in pre-inspection procedures where the inspecting side specifies the amount of work to be carried out, and then intensive joint work begins. All this takes 18-20 hours a day with a brief respite. I assure you that this work is not only physically but also — and to a greater extent — mentally exhausting.

[KRASNAYA ZVEZDA] Valentin Fedorovich, reports have appeared in our press that U.S. inspectors allegedly often fail to carry out inspections but instead abuse Russian hospitality. For instance, these charges were made regarding General R. Parker, who worked in Kostroma in 1994....

[Romashov] The U.S. inspection group of which Gen. Parker was a member visited the Kostroma ICBM base and inspected our rail-mobile missile system. That was in 1991 and not in 1994. They spent just a day working at the installation. Provision may have been made for an official dinner for the visitors following the inspection. But given the mentality of Americans, who value time, money, and their position, it is absurd to talk about them getting carried away by hard liquor.

[KRASNAYA ZVEZDA] Valentin Fedorovich, such offensive "canards" do not seem to be affecting the nature of Russian-U.S. relations. What plans are there for the second phase of START I Treaty inspections?

[Romashov] This phase is more protracted. It is supposed to cover 14 and a half years. In this period all SRF installations with nuclear weapons will be inspected. We will also carry out a lot of work at U.S. installations.

Moscow To Provide Funds for Slovak Nuclear Plant

AU1107074895 Bratislava PRAVDA in Slovak
7 Jul 95 p 1

[TASR report: "Russia Will Provide a $150 Million Mochovce Loan"]

[FBIS Translated Text] Moscow — The focal point of Slovak Economy Minister Jan Ducky's three-day working visit to the Russian Federation were talks with Viktor Mikhaylov, minister of atomic energy, on the terms of completion of the Mochovce nuclear power station. The Russian side will provide a commercial loan of $150 million, the terms of which Minister Ducky, in an interview for Slovak journalists accredited in Moscow, called "advantageous and good." The agreement on the loan should be signed by 1 September 1995. An expeditious signing of the agreement is in the interest of both sides, according to the minister. Ducky also met with Russian Deputy Prime Minister Y. Yarov, Economics Minister Y. Yasin, secretary of the Russian Federation Security Council O. Lobov, and representatives of the Ministry for Foreign Economic Relations, the State Committee for the Defense Industry, and the Gazexport and Gazprom natural gas companies. The talks concerned problems of the gas industry, restructuring of the engineering industry, and mutual cooperation in these areas. Cooperation in the economy and tourism also appears to be promising.

Iraq's Admittance To Biological Weapons Assessed

LD1007180495 Moscow INTERFAX in English
1649 GMT 10 Jul 95

[From the "Diplomatic Panorama" feature: by diplomatic correspondents Aleksandr Korzun, Igor Porshnev, Yevgeniy Terekhov, and others]

[FBIS Transcribed Text] MOSCOW, July 10 (INTERFAX) — The fact that Baghdad had admitted its past program of biological arms development is estimated by Moscow as "a step towards consolidated confidence between Iraq and the U.N. special commission for Iraqi disarmament," newly-appointed Russian ambassador to Egypt Vladimir Gudev told INTERFAX on Monday. Until recently Gudev was director of the Russian Foreign Ministry's Department for Middle East and North Africa.

In his words, "there is a large and thorough work ahead to analyze technical aspects of the Iraqi past activities in that sphere."

According to mass media, during last week's Baghdad visit of U.N. special commission head Rolf Ekeus Iraqi representatives made an oral statement that Iraqi specialists started to create offensive biological weapons in late 1985. In the words of the representatives, Iraq started the production of biological arms components in 1989. Ekeus said that the production of these components was stopped by Baghdad a year later and the components made were destroyed.

"Biological arms are the only significant blank space in the interest of the U.N. special commission in Iraqi military programs," said Gudev.

Moscow hopes "that interaction between Baghdad and the special commission will result in comprehensive information," he noted. In the opinion of the high-ranking diplomat, this will help to "lift the oil embargo on Iraq under paragraph 22 of resolution 687 of the United Nations Security Council."

Gudev told INTERFAX that Andrey Vdovin was appointed his successor on the post of director of the Foreign Ministry's Mideastern Department. Vdovin is expected to start working next week. Gudev, recently appointed Russian ambassador to Egypt by a presidential decree, plans to leave for Egypt by August.

Political, Economic Case for Iran Deal Aired

MM1107082895 Moscow ROSSIYSKAYA GAZETA in Russian 11 Jul 95 First Edition pp 1, 3

[Article by Aleksey Chichkin: "Bomb for the Ministry of Atomic Energy. Why Are Americans Holding Up Profitable Order?"]

[FBIS Translated Text] U.S. visitors have once again tried to delay the revival of production at the Ministry of Atomic Energy in connection with the construction of the nuclear power station in neighboring Iran. If they succeed, thousands of Russian citizens will be deprived of profitable work. Why? After all, in the view of Russian specialists, the Americans' misgivings that our neighbors will obtain the raw materials to develop nuclear bombs from our reactors seem absurd.

Viktor Mikhaylov, head of the Russian Federation Ministry of Atomic Energy, told an IRNA correspondent: "Russia will receive $800 million for the first phase of the power station project in Bushehr and $3 billion for the second phase. Cooperation with the United States in the world uranium market has given us just $215 million in profit and $450 million in losses...."

Statements by IAEA [International Atomic Energy Agency] representatives certainly illustrate that there is no evidence of Iran's having a secret nuclear program. And the IAEA has every reason to say this. Moreover Iran advocates the simultaneous nuclear disarmament of all Near and Middle East countries. And nuclear-free guarantees by the five main nuclear powers.

As for Russia, Iran has long-standing economic ties here which are growing stronger from year to year. In May an accord was secured to assemble Il-114 aircraft in Iran using Russian spares. These aircraft, along with the Yak-40 and Yak-42, that Iran will buy will, according to Iranian estimates, carry around 80 percent of all Iran's air traffic. The Iranians intend to buy oil and gas equipment from the Russian Federation and also pay off their debts for procurements of arms and metallurgical commodities in 1994 over the coming months.

The Iranian Ministry of Economic Affairs and Finance stated officially in mid-May that Iran will carry on procuring agricultural equipment from Russia — in particular Rostselmash combines — and Iran's $22-million debts to "Selkhozmasheksport" will start to be paid off this year. By fall 1995 Russia will be supplying a third diesel submarine that Iran has ordered and for which it agreed to make prior payment.

In principle the galvanization of Russian-Iranian trade and economic cooperation in the nuclear industry is no surprise. First, Russian enterprises in the nuclear power industry and military-industrial complex sectors are still experiencing considerable difficulties with the production and sale of their output in Russia and the CIS as a whole. So they only stand to gain if there is demand elsewhere for their goods and scientific and technical potential.

Second, the military-industrial complex and associated sectors still have an interest in long-term foreign economic cooperation, albeit owing to the specific technological nature of their own production where manufacturing large consignments of certain output designed to take at least three to five years was and still is the most profitable area. Many developing countries, particularly those now being subjected to all manner of "penalties" by leading Western states and companies, are interested in these "long-term" shipments. They include Iran.

Third and last, foreign policy factors are also promoting the development of Russian-Iranian ties. That country is not only the world's largest producer and exporter of oil and gas products but is also behind the formation of the joint Central Asian market in goods, investment, and services, in which Turkey, Pakistan, and the republics of the former USSR — Azerbaijani, Turkmenistan, Kazakhstan, and Uzbekistan — are involved. Foreign experts predict that Iraq, Afghanistan, and Syria will subscribe to the bloc. And it is hard to overestimate the role of the republics of Central Asia and the Transcaucasus in Russia's foreign trade and policy. So pandering to various scenarios for a "blockade" on Iran could now have considerable difficulties of various kinds — and not only for the Russian Federation.

Let us also point out the significant fact that all Iran's "nuclear" projects today were developed back in the seventies when the governments and companies of almost all the G-7 countries provided financial and scientific and technical aid in implementing them. There were no fewer than 25 projects of this kind. And now Argentina, Brazil, the PRC, and companies from a number of other countries are cooperating with Iran in nuclear power generation. So it is at the very least tactless to direct complaints of this kind at Russia.

Especially since the industrial powers are themselves keeping their markets and those of their former colonies "closed." And Russia's military-industrial technologies will inevitably head for "unpredictable" states regardless of their systems and the ideological orientation of their governments.

Within the former USSR this kind of output lacks a steady high demand and has effectively been brought to the brink of extinction.

Foreign Ministry on Israel-Syria Dialogue

MM1007145095 Moscow IZVESTIYA in Russian 8 Jul 95 p 3

[Report by Konstantin Eggert: "Peace on Golan Heights an Urgent Russian Concern. Smolensk Square Keeping Up Efforts To Reconcile Syria and Israel"]

[FBIS Translated Text] Will Moscow be able to use its continued influence with Damascus to help the development of the Syrian-Israeli peace process? That was one of the issues discussed by Israeli Deputy Foreign Minister Yossi Beilin at meetings with the Russian Foreign Ministry leadership.

After holding talks with Viktor Posuvalyuk, his Smolensk Square opposite number, Beilin also talked with Andrey Kozyrev and his first deputy, Igor Ivanov. Such consultations have become a tradition, consequently it has been decided to set up a standing Russo-Israeli working group which will meet twice a year to discuss urgent problems.

By all accounts, over the past few years Israel has assessed the possibility of a "Moscow channel" for contacting the Arab world, including Syria. Yossi Beilin stated as much at a press conference at the end of his visit to Russia. "It is still unclear whether President Hafiz al-Asad has made a decision in principle to conclude a peace with Israel," he said. "The problem is that, with the exception of the talks with military experts in Washington about future security measures, we have no direct political dialogue — which is the only thing suitable for peace talks." Beilin reiterated the well-known Israeli view that, if there is no settlement with Syria by the end of this year, it will be far harder to achieve anything in 1996, when there are parliamentary elections in Israel and a presidential election in the United States.

Smolensk Square believes that the Israelis are dramatizing the situation somewhat and that the peace process does not necessarily have to grind to a complete halt because of elections. But recent statements from representatives of the right-wing "Likud" bloc — the main rivals of Prime Minister Yitzhak Rabin's "Ha'avoda" Party, which has been in power in Israel since 1992 — show that there is a threat to a settlement. If they win, the right-wingers promise to substantially revise the agreements already reached with the Palestinians — on which there is far more agreement in Israeli society than there is on the painful question of the return of the strategically important Golan Heights to Syria.

The Russian Foreign Ministry calls the current state of the Israeli-Syrian dialogue "pretty good," despite the inevitable difficulties that arose in Washington during the recent talks between the chiefs of the two countries' general staffs. Nonetheless, the Syrians found the strength to abandon the principle of symmetry in the demilitarization of border territories. The Israelis, whose country is far smaller than Syria, had insisted on this. Developing the subject of security measures, Rabin's people have proposed siting Syrian early-warning stations in Northern Galilee and Israeli stations on the Golan Heights. Damascus has not yet agreed, suggesting airborne monitoring instead. Military specialists from the two states will soon be resuming discussions in the American capital.

Unlike Yossi Beilin, Russian diplomats believe that President al- Asad agrees in principle to a settlement along the lines of "all the land for a complete peace." The hypothetical result could be a joint statement in which the Syrians would promise the Israelis a complete normalization of relations, while the latter would, for their part, promise to withdraw their troops completely from the territories occupied in 1967. In that event it would remain "only" to determine what constitutes the concept of "complete normalization."

Karasin Regrets French Action Against Greenpeace

LD1007132595 Moscow Radiostantsiya Ekho Moskvy in Russian 1200 GMT 10 Jul 95

[FBIS Translated Text] France is going to take all necessary measures to ensure compliance with its laws, French Prime Minister Alain Juppe said today.

One such necessary measure was the storming of the Greenpeace ecological organization ship Rainbow Warrior, which had violated the 12-mile zone around the Mururoa Atoll in French Polynesia.

Greenpeace program coordinator Eduard (?Gismatulin) has told us that the ship's crew are now out of danger, adding that there were no casualties.

[Begin Gismatulin recording] As always after the use of teargas there was just irritation to the eyes and maybe to the skin in some instances, and that was it. We are now assessing the damage caused to the ship, as it was rammed. [end recording]

However, the French military center on Tahiti has told us the ship was not damaged in the operation carried out by the commandos.

Grigoriy Karasin, director of the Foreign Ministry information and press department, has told our radio station that Russia regrets the incident with the Greenpeace ship.

[Begin Karasin recording] We are talking about the breakdown of the existing moratorium by the four nuclear states. It deals a serious blow to many accords in the field of disarmament that we have recently managed to adopt. [end recording]

Let me add that despite the tough reaction from the French authorities, Greenpeace activists intend to stay in the Pacific until September, when France expects to resume its nuclear tests.

Moscow Disclaims Molotov-Ribbentrop Pact

LD0707203995 Moscow INTERFAX in English 1624 GMT 7 Jul 95

[From the "Diplomatic Panorama" feature: by diplomatic correspondents Aleksandr Korzun, Igor Porshnev, Yevgeniy Terekhov, and others]

[FBIS Transcribed Text] MOSCOW, July 7 (INTERFAX) — Moscow proceeds from the assumption that the new democratic Russia "does not have a direct relation" to the 1939 Molotov-Ribbentrop pact. "Another state signed the document, and correspondingly, we cannot bear responsibility for agreements it concluded then," a high-ranking official in the Russian Foreign Ministry told INTERFAX Thursday.

The source made it clear that Moscow will not agree to Bucharest's persistent proposals to reflect "the idea of liquidating the consequences of the secret Soviet-German pact in this or that form" in the preamble of a bilateral political treaty being prepared.

"The text of the treaty with Romania has been virtually completely agreed on, except for the part of the preamble which may deal with the sides' attitude to the Molotov-Ribbentrop pact," the diplomat said.

According to the source, "the underlying meaning of the provision of the liquidation of the pact's consequences is totally clear and means under the present circumstances raising the territorial issue."

As known, the pact resulted in a partial territorial redistribution in pre-war Europe.

"From the political point of view, what happened then has been widely condemned. However, we cannot have a formal relation to what was done, even because the issue under consideration now is territory of sovereign states emerged after the break-up of the former Soviet Union," the diplomat added.

In addition, "there is one factor of none too little importance — such subject as the pact is missing in Romania's political treaty with Germany." "A natural question arouses: if there is no reference to and condemnation of the pact in the German-Romanian treaty, why should they take place in ours. To us, it seems a dual standard of a kind," he said.

The diplomat admitted that differences on the issue had driven the talks on a bilateral political treaty to a deadlock.

At the same time the diplomat was unable to say when this can be done. He recalled that there was no political treaty between Russia and Romania yet. "The agreement signed by the former USSR is regarded as void by both Moscow and Bucharest", he explained.

He dismissed the rumor of some stagnation in Russian-Romanian relations. "Moscow and Bucharest maintain regular contacts at various levels and discuss bilateral problems in a business-like way", he said.

"Russia seeks to develop the widest cooperation with Romania in all directions. There are good chances for this in the economy, culture and politics", the diplomat said.

The situation in Ukrainian-Romanian relations is very similar. Kiev and Bucharest are unable to sign a political treaty, because the Romanian side seeks to include in the preamble a special clause condemning the Molotov-Ribbentrop pact.

The Romanian Foreign Minister Teodor Meleskanu has said in an interview that it would be an act of morality, already taken by the whole world, including the former USSR. "The condemnation of the pact has no meaning other than moral compensation to Romania", he said.

Meleskanu said that Romania was prepared to confirm the existing border with Ukraine. "Those borders have been recognized by several legal acts, including by the 1947 treaty", he said.

Asked about why Romania had not demanded condemnation of the pact when the treaty with Germany was signed, Meleskanu said: "Germany did not take our land".

The Ukrainian Prime Minister Yevhen Marchuk has said in an interview that there are no unsettled border problems with Romania, there are questions being discussed.

"Ukraine has always believed that the Helsinki accord settled all border problems in Europe once and for all and any attempts to tackle this problem unilaterally are impermissible", Marchuk said.

British Delegation Member Expelled for Espionage

LD1107085295 Dushanbe SADO-I MARDOM in Tajik 1 Jul 95 p 1

[Unattributed report: "Disguised as a Friend: Report From the Department for Social Relations of the Security Ministry of Tajikistan"]

[FBIS Translated Excerpt] In 1991 Tajikistan declared itself an independent republic and from those first days it has chosen a new path, building a law-based, democratic and secular state with a developed market economy. [passage omitted: review of foreign aid programs since 1992-93 civil war]

Unfortunately, there are people among the delegations of foreign organizations who, under the slogan of assistance, are carrying out espionage activity and gathering information about the policy, economy, and military strategy of the republic. Some of them visit various areas of the republic as if to identify places for rendering humanitarian assistance, but in reality they become involved in gathering information about the places where groups of the Russian Federation's Border Troops, the peace-keeping forces, and Security Ministry forces are stationed. In this way, through the efforts of the competent bodies of the republic, the activity of an employee of one of the international organizations of Great Britain was uncovered. He had come to the Republic of Tajikistan as if to render assistance to the residents of the Gorno-Badakhshan Autonomous Region. This man used his visit to the hospitable land of Badakhshan for meetings with field commanders of the Tajik opposition. Most of the time he spent visiting the border and gathering information.

As became clear, this was an employee of an espionage-intelligence service of a foreign country who had come to our republic disguised as an expert. On the basis of the information that we have, it was decided that his tour in the Republic of Tajikistan should be cut short. [passage omitted: Tajik people do not want to damage the reputation of foreign organizations]

Deputies Urge Action After Visit to Abkhazia

MM1007120195 Moscow PRAVDA in Russian 8 Jul 95 pp 1-2

[Report by Igor Sizov: "In the Zone of Blockade and Grief. Russian Federation State Duma Deputies Have Been to Abkhazia"]

[FBIS Translated Text] Sochi — Russia must not use blockade methods to compel Abkhazia to unite with Georgia — this is the conclusion drawn by the Russian Federation State Duma deputies who have made a tour of Abkhazia. At the final news conference in Sochi the parliamentarians told journalists about the mass appeals to them by starving women and about meetings with old people who have been deprived of their pensions and with out-of-work residents of Sukhumi, Gagra, and Pitsunda. Things are particularly hard for Russians in Abkhazia, who, as a rule, are urban residents who do not have a subsidiary plot in the countryside.

Members of the parliamentary delegation, headed by Konstantin Zatulin, chairman of the Committee for CIS Affairs, held talks with Abkhazian President Vladislav Ardzinba, Parliament Speaker Sokrat Dzhindzholiya, and Republic Prime Minister Gennadiy Gaguliya. They had a separate meeting with Major General Aleksandr Babenko, deputy commander of the Caucasus Special Border District.

In the settlement of Sinop the deputies spent over three hours answering questions from staffers of Sukhumi Physicotechnical Institute, which is a world-class scientific establishment. This institute, in which Russians work for the most part, is now experiencing great difficulties getting raw materials, subassemblies, and funding from Russia and is unable to fulfill numerous orders, both from Russia and from abroad. As a consequence, it is unable to pay its staffers' wages.

The situation is still more grave for this institute's pensioners, who in the past spent many years working to create the USSR's nuclear shield and who have now been totally forgotten. They should all receive a pension of 2,500 rubles. But they have not received it for about two years now.

On the last evening before the delegation's departure the hotel where the parliamentarians had been staying was surrounded by hundreds of Russian women and old people who had traveled from all over Abkhazia. They angrily said that, owing to the introduction of economic sanctions, they have been forced to starve on the Russian-Abkhazian section of the border, receiving a bowl of soup and a small slice of bread a day in a free cafeteria. None of them can travel to their relatives in Russia. They do not receive letters from their children because, in accordance with instructions, correspondence to Abkhazia is sent via Tbilisi, where it simply vanishes. The flood that happened a few days ago came as a real tragedy for such people. The harvest perished in truck gardens and subsidiary plots, and for many families this was their only hope for next winter.

"I have already exchanged all the things in my home for bread, and now all I have left to sell is my 'Hammer and Sickle' gold medal of a hero of socialist labor," Yekaterina Leshcheva, the "Pitsunda" Sovkhoz milkmaid renowned throughout the former Soviet Union, told the parliamentarians. She received the motherland's high award at the age of 29, but now, at the age of 63, she lives in poverty and is ready to part with the medal. To what depths we have brought our compatriots!

"The main root of all the problems arising in the region is the fact that Russia's interests in the Caucasus are still expressed very indistinctly," K. Zatulin declared. "We must define our goals as quickly as possible and start implementing a more consistent policy here. In the very near future the Russian State Duma must conclude the vote on the question of regularizing the regime on the section of the border along the Psou River. It is necessary to open air traffic to Sukhumi, let vacationers through to Abkhazia, and arrange for the mail to work. To protect the interests of the republic's Russian inhabitants, it is necessary to open a Russian consulate in Sukhumi and a branch of the Central Bank of the Russian Federation on this territory for the payment of pensions to former officers, Chernobyl people, and Afghan veterans. If we continue the blockade of Abkhazia, we will create one more zone of hunger and poverty near the Russian border and, thus, a zone of instability and constant crime generation. Not to mention the fact that we will increase the suffering of the ordinary people living in Abkhazia — for which there can be no justification!"

Russian, Azerbaijani Officials Sign Trade Pact

LD1007193395 Moscow INTERFAX in English 1710 GMT 10 Jul 95

[From the "Presidential Bulletin" feature: compiled by Nikolay Zherebtsov and Andrey Petrovskiy, edited by Vladimir Shishlin]

[FBIS Transcribed Text] MOSCOW, 10 Jul (INTERFAX) — Azerbaijan's First Deputy Premier Abbas Abbasov and Russian Deputy Premier Aleksey Bolshakov met in Moscow on Saturday to sign an outline agreement on trade and economic cooperation between the two countries for 1995.

Under the agreement, Baku is committed to repay part of its 40 billion rubles worth of debt of two years ago to Russia's Roskontrakt. Both barter trade and hard cash settlements will be used.

Speaking afterwards, Abbasov said the latest agreement would help widen bilateral economic relations which were hampered by the closure of transport links between Russia and Azerbaijan, an obstacle he hopes would be soon removed.

Abbasov also announced that Baku offered Russia to sign a package of 12 agreements in areas such as cultural links, standardization and metrology down to oil exploration in the Caspian Sea.

At a meeting before the signing ceremony, Bolshakov and Abbasov agreed that the existence of customs barriers was a stumbling block to bilateral trade.

Bolshakov said the Russian government was taking vigorous measures aimed at improving and simplifying customs procedures. In his words, the enforcement of the CIS customs union would help resolve the problem.

The two men were also unanimous about the need for further bilateral cooperation, the preservation of fish stocks and an improvement of ecology of the Caspian Sea.

Political Issues

Yeltsin Hospitalized for Heart Condition

LD1107074995 Moscow ITAR-TASS World Service in Russian 0740 GMT 11 Jul 95

[FBIS Translated Text] Moscow, 11 Jul (ITAR-TASS) — Boris Yeltsin was hospitalized at the Central Clinic today following a deterioration of his ischemic heart condition, ITAR-TASS was told by the head of state's press service. The president is being treated and his condition is being monitored.

Medvedev: Nothing Serious

LD1107091395 Moscow ITAR-TASS World Service in Russian 0859 GMT 11 Jul 95

[By ITAR-TASS correspondent Andry Shtorkh]

[FBIS Translated Text] Moscow, 11 Jul (ITAR-TASS) — "According to the first checks on Boris Yeltsin, nothing serious has happened," Sergey Medvedev, press secretary to the president, who was hospitalized today, told ITAR-TASS.

The press secretary said that only the doctors can say precisely how long the head of state will be under observation at the central clinic, but that there are reasons to believe it will not be for long.

Yeltsin Continues Duties

LD1107091795 Moscow ITAR-TASS in English 0911 GMT 11 Jul 95

[By Andrey Shtorkh]

[FBIS Transcribed Text] MOSCOW, July 11 (ITAR-TASS) — President Boris Yeltsin who was hospitalised with a heart problem Tuesday has not transferred his powers to Prime minister Viktor Chernomyrdin and continues to fulfil his duties of the head of state, according to government spokesman Viktor Konnov.

"I see no legal or practical grounds for a temporary transfer of the powers of the head of state to the chairman of the Russian government", Konnov told ITAR-TASS and stressed that he was expressing his personal opinion.

The Russian Constitution says that "in all cases when the President of the Russian Federation is incapable of fulfilling his duties, they are temporarily fulfilled by the Chairman of the Government of the Russian Federation".

Konnov said that the medical examination of the President had begun only several hours ago.

According to the spokesman, Chernomyrdin had not changed his Tuesday work schedule in connection with the hospitalisation of the President and was currently holding a planned meeting on the use of Caspian sea resources.

ITAR-TASS was told in the reception room of Boris Yeltsin that the President had not been in his Kremlin office Tuesday.

Yeltsin To Leave Hospital Soon

LD1107093395 Moscow ITAR-TASS World Service in Russian 0914 GMT 11 Jul 95

[By ITAR-TASS correspondent Andrey Shtorkh]

[FBIS Translated Text] Moscow, 11 Jul (ITAR-TASS) — ITAR-TASS has learned from official sources at the Kremlin that, despite Boris Yeltsin's hospitalization, preparations are going ahead for the president's visit to Norway and Murmansk, scheduled for 19-21 July. According to the sources, the head of state will remain in the Central Clinic, where he was hospitalized this morning because of the worsening of an ischemic condition, no more than a few days.

First Day of Court Hearings on Chechnya Viewed

MM1107100295 Moscow IZVESTIYA in Russian 11 Jul 95 p 2

[Report by Valeriy Rudnev: "'Chechnya Case Being Heard.' Parliamentary Side Relying on Numbers, Presidential Side on Skill"]

[FBIS Translated Text] Day one of the case, heard at the request of the State Duma and the Federation Council, on the constitutionality of last year's presidential and Russian Federation Government edicts on the restoration of order in the Chechen Republic has begun at the Russian Constitutional Court strictly according to protocol — the appearance of the justices, the introduction of the parties, and the explanation of the rules for addressing the justices and each other.

The first procedural surprise is that whereas the State Duma and the Federation Council are represented as independent parties in the judicial dispute and, naturally, have three official representatives each (a total of six, as we have already reported in the previous edition of IZVESTIYA), the presidential and government sides are united and represented by presidential aide Yuriy Baturin, Vice Premier Sergey Shakhray, and Doctor of Juridical Sciences Oleg Kutafin, rector of the Moscow State Law Academy.

The question of the calling of specialists and experts was discussed. The names of Marshal Viktor Kulikov, General of Justice Yuriy Kazanchik, human rights campaigner Sergey Kovalev, political scientist Galina

Starovoytova, and other more or less well-known people were mentioned.

The next stage of the trial — the reports from reporting justice Oleg Tiunov and Marat Baglay — prompted a lively discussion among the justices on the question of just what the subject of the coming investigation will be. Valeriy Zorkin was particularly active in this area. The decision reached was that the Russian Federation Presidential Edicts "On the Main Provisions of Russian Federation Military Doctrine," "On Measures To Restore Constitutional Legality and Law and Order on Chechen Republic Territory," and "On Measures To Put a Stop to the Activities of Illegal Armed Formations on Chechen Republic Territory and in the Ossetian-Ingush Conflict Zone," and the government decree "On Safeguarding the State Security and Territorial Integrity of the Russian Federation, Legality, the Rights and Freedoms of Citizens, and Ensuring the Disarmament of Illegal Armed Formations in the Chechen Republic and Adjoining Regions of the North Caucasus" would be studied.

Having resolved these procedural issues, the Constitutional Court embarked on a study of the materials of the case. The first to testify were members of the Federation Council. Issa Kostoyev, chairman of the Constitutional Legislation Committee, spoke on their behalf.

Although the court is discussing past events, current events were an invisible presence in the auditorium and behind the judicial scenes. For instance, there was a lot of talk behind the scenes about whether it was expedient to open the hearing today, when complex talks are under way in Groznyy. The recent presidential edict on the permanent deployment of troops in Chechnya was recalled — an edict which produced a sharp reaction there, and the document had to be urgently amended. The attack on a Chechen family was discussed, which, despite the fact that it was absolutely provocative, virtually led to the undermining of the talks. Consequently, certain people said, even a misplaced word at the Constitutional Court might ruin the atmosphere at the Groznyy talks.

On the eve of the hearing I met with Givi Yakovlev, one of the official Federation Council representatives in this judicial process. He is a candidate of juridical sciences, a specialist in the sphere of constitutional legislation, and has an extensive dossier on the development of the Chechnya crisis. In his opinion, it has taken too long to verify the constitutionality of the presidential and government edicts initially because of the legally illiterate actions of Vladimir Shumeyko, speaker of the upper house of parliament. The case then spent a long time at the Constitutional Court. In this situation, G. Yakovlev believes, and taking account of the fragile situation in Chechnya itself — neither peace nor war — it was hardly expedient to schedule the hearing for just now. We could have waited until the talks were over. But since the hearing is under way, Federation Council representatives do not intend to request an adjournment.

I also managed to have a few words with a representative of the other side — Valeriy Savitskiy, a doctor of juridical sciences and the Russian Federation president's plenipotentiary representative to the Constitutional Court. In his view, the hearing will in no way hinder the peace initiatives in Groznyy. Nor will it do so, V. Savitskiy stressed, if the justices succeed in keeping the hearing within a legal framework and if the parties discuss legal rather than political issues.

So far the justices are just listening attentively. Now and then they ask questions. It will be their turn to speak in the future. This is probably the first time that almost the full Constitutional Court (18 members, only Nikolay Vedernikov's seat is empty, and the reason for the justice's absence has not yet been made public) has appeared before the general pubic. The fact is that prior to this session the justices heard cases in different chambers. There were two of them, each of equal standing, and they both made rulings in the Constitutional Court's name. One chamber had 10 members, and the other nine.

In principle the "Chechnya case" could also have been heard by one of the chambers. But, clearly, given the complexity of the case and its importance for public harmony, the justices decided to hear it at a joint plenary session. And ahead of schedule (the Constitutional Court had another 37 unheard cases in its "case file" before the "Chechnya case").

The newcomers — I would recall that there are six of them who were first carefully selected by the Presidential Staff and then appointed by the Federation Council (Vladimir Tumanov, Marat Baglay, Vladimir Strekozov, Yuriy Danilov, Olga Khokhryakova, and Vladimir Yaroslavtsev) — are performing confidently. But in one respect they are clearly lagging behind the old hands of the Constitutional Court. I am referring to dissenting opinions, when a justice expresses a view that differs from the general ruling. Justices of the first convocation — Anatoliy Kononov, Boris Ebzeyev, Tamara Morshchakova, and Ernest Ametistov — are well out in front on this indicator.

Many people believe that the "Chechnya case" is bound to produce dissenting opinions. Consequently, it is in the nature of judicial issues today to try to guess who the "dissenter" in the future Russian Constitutional Court ruling will be.

Presidential Staff Aide on Hearings

MM1107090295 Moscow ROSSIYSKIYE VESTI Saturday Edition in Russian 8 Jul 95 p 9

[Interview with Aleksey Surkov, assistant leader of the Russian Federation Presidential Staff, by Pavel Anokhin as part of a two-page feature under the "Published for the First Time" rubric and the general heading "The 'Chechen Case' Should Not Be Turned into a Political Show"; place and date not given: "Documents Exposing Those Who Reared Dudayev Might Surface" — first three paragraphs are introduction]

[FBIS Translated Text] On 10 July the Constitutional Court begins its sessions to examine questions from State Duma and Federation Council deputies on the legality of the Russian president's edicts and the Russian Government decree on restoring constitutional order and legality in the Chechen Republic.

The two sides are preparing carefully for the trial, arming themselves with various documents, including very unexpected ones. The ROSSIYSKIYE VESTI Editorial Office is in possession of some of them.

Aleksey Surkov, assistant leader of the Russian Federation Presidential Staff, tells ROSSIYSKIYE VESTI's correspondent about the presidential side's preparations for the upcoming court trial.

[Anokhin] Aleksey Porfiryevich, as is known from Sergey Filatov's television address, the Constitutional Court will soon begin its sessions. What political forces initiated this, and for what purpose? Will Russian society benefit from this?

[Surkov] Undoubtedly it will. Regardless of what decision the Constitutional Court adopts, in this instance we are all taking a step toward the development of a rule-of-law state. Judge for yourself: A group of people casts doubt on the constitutionality of legislative acts by the head of state, and there is a state organ which can resolve these doubts. At the same time, regardless of the outcome of the court examination of the case, nothing threatens the initiators — neither "places of imprisonment" nor exile abroad. Such a thing was inconceivable in our country just a few years ago. The upcoming trial is a sign that we are already starting to live in a normal rule-of-law area and that the mechanism for resolving constitutional disputes has started working in the country.

But the greatest benefit of the court examination that is commencing will be the fact that every Russian will finally see clearly on what grounds the presidential edicts and the government decree on the situation in the Chechen Republic were based and what gave rise to them.

To judge from the signatures on the questions to the Constitutional Court, the trial's initiators are political forces in opposition to the Russian president and to the policy of reforms.

What goal is being pursued? It is, of course, not a desire to improve the presidential side's lawmaking activity or to show concern for the Chechen Republic. Under conditions when the election campaign has started, they are trying in this way to pick up as many votes as possible and to make political capital out of the very fact of having turned to the Constitutional Court.

But something else is more important now — not to turn the upcoming Constitutional Court into some political show.

[Anokhin] How prepared is the presidential side for the upcoming Constitutional Court?

[Surkov] There is a presidential directive setting up a working group headed by Sergey Filatov. Naturally, specialists and experts are involved and are studying numerous materials, starting with the coup carried out by General Dudayev and his entourage in 1991, which was tragic for the Chechen Republic. Such a long period is being taken because it is necessary to conduct a serious analysis and be ready to answer any question in court. I do not believe that the court will want to carefully investigate all the niceties of the situation, but both sides possess extensive information starting from 1991. All Russia's citizens must see for themselves that if there was a peaceful situation in the republic military actions could not begin in respect of it for no apparent reason. I believe that it will be interesting for the Constitutional Court to look back over the history of the conflict.

[Anokhin] Will any hitherto unknown documents surface at the trial? The mass media frequently maintain that the war was started so as to destroy certain documents which expose some high-ranking politicians and to conceal facts which have to be answered for.

[Surkov] Of course they will surface. For example, documents relating to military actions and various secret decisions — for instance, D. Dudayev's secret order to draw up an operation to carry out bombing strikes against Russian cities — must certainly be made public. They will show that the president's edicts were occasioned by the development of the lawless situation in the Chechen Republic, when the mass exodus began as a result of the Dudayev regime's open assault on human rights. Unfortunately, the release from communist totalitarianism in certain parts of Russia, including Chechnya, turned into an orgy of national totalitarianism. During Dudayev's dictatorship nationalism in the republic assumed the nature of state policy. The population's mass exodus from Chechnya was spurred on not only by Dudayev's ideology but also by the criminal actions of his entourage — killings, robberies, and violence against peaceful citizens.

I do not know how profoundly the Constitutional Court will permit itself to investigate these documents, but a very great deal that is unexpected could surface. The president's side is ready to submit similar documents. In any case, our group has a very great deal of interesting and unexpected material.

It is frequently possible to hear that the authorities set about instilling order in Chechnya too late. Unfortunately, in 1991 all of us in Russia, including deputies on the democratic wing, it has to be stated bluntly, could not be bothered with the problems of Chechnya. The flames of separatism were intensively being fanned in many components of the Russian Federation. There is also another aspect. We have already forgotten why the Russian Supreme Soviet at that time was insufficiently involved with Chechnya. It was under the patronage of Russian Supreme Soviet Chairman R. Khasbulatov, who had his own particular view on Chechnya's future. A great deal depended on Khasbulatov. It also depended on Deputy A. Aslakhanov of the Chechen-Ingush Republic, who headed the parliamentary Committee on Law-Enforcement Organs in the Russian Supreme Soviet. At that time their position largely determined the center's reaction to the events in Groznyy.

I believe that the court will summon to its sessions a wide circle of witnesses and experts who will help to recreate a picture of the extreme need which obliged the federal power to resort to the strong-arm option.

[Anokhin] Can you even now surmise how the trial will end?

[Surkov] As you understand, it is hard to predict in advance the Constitutional Court's decision. As a legal expert, I personally find that the lawmaking acts on Chechnya are within the framework of the Constitution and of the laws on security, on defense, and on the internal troops. There is nothing in them that would violate the country's Fundamental Law. On the contrary, they are aimed at ensuring Russia's state security and the personal safety of its citizens.

We are all well aware, however, that the opposition will endeavor to turn any Constitutional Court decision into a ballyhoo to profit itself in the election campaign. If the court, let us assume, deems the Russian Federation president's edicts unconstitutional, it [the opposition] will at once start puffing up the question of impeaching the president. If the edicts are deemed constitutional, it will be sure to shout about the judges' venality.

Although that same opposition itself reproached the president for failing to take measures to instill order in the Chechen Republic. But now it wants very badly to secure a summing-up deeming the head of state's edicts to be unconstitutional and to take revenge, as it were, for the trial of the CPSU. But I am sure that their attempts are futile. Although we realize that the opposition's actions are backed precisely by those forces which yesterday reared the Dudayev regime and which today fear its rout, for it could entail their exposure.

Constitutional Court Favors Yeltsin on Chechnya

MK1107092095 Moscow KOMMERSANT-DAILY in Russian 11 Jul 95 pp 1, 3

[Report by Denis Agafonov under the "Constitutional Court Meeting" rubric: "One Side Attacks, the Other Assaults"]

[FBIS Translated Excerpt] The walls of the Constitutional Court building on Ilinka Street have not seen such a crowd of representatives of all branches of power, including the fourth estate, for a long time. Open hearings on the so-called Chechen case began there at 1000 yesterday. The importance of what is essentially a legal conflict between the president and the parliament, which promises to be the most spectacular political event of at least this week, cannot be overestimated either legally or politically. With nearly one week to go before the meeting, Sergey Filatov, chief of the presidential administration, announced his entire team's desire "to concentrate attention on the Constitutional Court's trial." In other words, those defending the president's interests announced their intention to turn the "Chechen deliberations" at the Constitutional Court into a showcase trial, the purpose of which is not only to rule out speculations that would be undesirable for the executive branch on the eve of elections, but also to set a precedent of resolving acute political conflicts exclusively to its advantage. [passage omitted]

Judging from yesterday's statements, presidential representatives at the Constitutional Court have no doubt about their ability to prove the legitimacy of presidential edicts and the government decree, for as Oleg Kutafin [director of the Legal Academy, who spoke on behalf of the president] noted after studying materials pertaining to the case, "despite clear gaps in legislation, the actions of the president and government were legally justified." But such is the view of participants in the process. What do the judges think about it all? Your KOMMERSANT-DAILY correspondent managed to familiarize himself with one of the numerous expert memos submitted to the Constitutional Court.

The analytical material says, in particular, that the presidential edict of 30 November 1994 is a normative enactment, that is, it falls within the court's jurisdiction. The other documents under review, however, do not contain rules of law and, therefore, do not deserve to be submitted to so august a body for consideration. If the judges heed this memo, just one document — and even that one, secret — signed by Yeltsin would become a bone of contention. If one bears this scenario in mind, Shakhray's speech directly hit the key mark, for he pointed out that the Dudayev regime "eliminated legitimate authority by force" and so constitutional order, as the "normative" edict says, could only be restored by force, too. [passage omitted]

The very first day of hearings showed, however, that both sides are not rich in arguments and that ultimately, regardless of the Constitutional Court's decisions on matters of procedure, the deliberations will come down to the beating of the air. After hearing yet another speech by Shakhray, Issa Kostoyev [representative of the upper chamber] may, as was the case yesterday, propose that the high court strip the deputy prime minister of the right to represent the presidential side and accuse the executive branch of "condoning the coup d'etat in Chechnya and rule of the Dudayev regime, when he disbanded the republic's legitimate parliament." And call on the Constitutional Court to make "the historic choice between the force of law and the law of force." And his colleague, Givi Yakovlev, would underline once again that there were, naturally, human rights abuses in Chechnya even under Dudayev, but the president, as guarantor of these rights, should have taken measures on the basis of the Constitution to enforce respect for them. To which Shakhray would naturally reply that precisely such measures had been taken. And here we go again...

A few questions arise in this regard. For instance, what will the Constitutional Court do in this situation? After all, a disillusionment in its already second lineup would hardly bode well for its future. How might the progress of the trial affect the executive branch's decisionmaking mechanism if almost no one in the corridors of the house on Ilinka makes any bones about the outcome? — the decision to be made will be in the president's favor. How will events going on at the Constitutional Court room correlate with the situation that is coming about in Chechnya itself and in the peace talks? It seems that the process has become stalled there.

Shakhray Defends Use of Military in Chechnya

LD1007190995 Moscow INTERFAX in English 1742 GMT 10 Jul 95

[FBIS Transcribed Text] MOSCOW, July 10 (INTERFAX) — The use of the Armed Forces on Chechen territory by the Russian president was not only legal but demanded by the situation emerged in Chechnya in December 1994. Boris Yeltsin had to use all means available, including the Armed Forces, for defending Russian citizens, Russia's sovereignty and territorial integrity, representative of the Russian president and Cabinet in the Constitutional Court, Deputy Prime Minister Sergey Shakhray said today.

The Constitutional Court is now considering the constitutionality of the Russian president's decrees and the Cabinet's resolutions which served as a basis for launching military actions in Chechnya.

Shakhray said the Russian authorities had until the last moment hoped that the conflict could be resolved by political methods. However, the complete destruction of the entire basis of the constitutional system during Dudayev's rule and the terrorism unleashed against Russia made it necessary to introduce troops into the republic, Shakhray said.

He said that prior to federal troops being introduced into Chechnya, "the power of the people as well as of all federal power institutions, including the Interior Ministry and the National Security Committee (KGB), were premeditatedly and completely destroyed by force" in Chechnya. "Chechnya became a truly criminal free economic zone," he added.

Shakhray said he was confident of the constitutionality of the decisions passed by the Russian president and Cabinet regarding Chechnya. He said there was no basis to believe that at any time when deciding on the use of force or during its actual use that legislation had been violated.

With regards to the secret decree of November 30 on Chechnya, Shakhray said the decree should not be subject to Constitutional Court consideration in as it is not a normative act while under current legislation the Constitutional Court can consider only normative acts.

When explaining why a state of emergency had never been introduced when introducing federal troops into Chechnya, Shakhray said there were two reasons for this. Firstly, Shakhray said, "the Dudayev professional army" had military equipment which the Russian Interior Ministry, which would have been responsible for ensuring the state of emergency if it had been introduced, had not had. Shakhrai said that secondly Chechnya had lacked legitimate power bodies with whose consent a state of emergency could have been introduced.

Thus, the Russian president had the right to independently take measures for restoring constitutional law and order in Chechnya and this cannot be considered an unconstitutional move in any way, Shakhrai said.

At the same time, he said that the Chechen conflict could still be resolved by political methods given the talks currently underway in Grozny.

[Moscow INTERFAX in English at 1742 GMT on 10 July adds: "Dzhokhar Dudayev's armed forces had over 15,000 people, 266 planes, 120 tanks, 350 artillery systems and 80 pieces of air defense as of December 11, 1994, Russian Deputy Prime Minister Sergey Shakhray said at a Constitutional Court session in Moscow today.

["He said that with such equipment Dudayev troops in 1994 had been fully capable of waging military actions equitable to troop operation in scale.

["The Russian Constitutional Court will continue to consider the "Chechen case" on Tuesday, July 11."]

Gromov Urges 'Immediate Withdrawal' From Chechnya

LD0907112695 London THE SUNDAY TIMES in English 9 Jul 95 p 15

[Report on "rare" interview with Russian General Boris Gromov by correspondent Carey Scott: "One Day We Will Prove Who is Guilty for the Chechen War"]

[FBIS Transcribed Text] General Boris Gromov, one of Russia's most respected military figures, is in no doubt about the folly of waging war in Chechnya. The man who won his spurs on the battlefields of Afghanistan told THE SUNDAY TIMES in a rare interview that it was a conflict the Kremlin would never win and called for an immediate withdrawal of Russian troops, writes Carey Scott.

"You can kill them, annihilate them, but make them give up? Never," he said. "There are no pluses to this war, only minuses, and there are so many of those you'd run out of paper trying to write them down."

His argument strikes a chord with Russians sickened by the brutality of the war. Yet it cost Gromov his job as a deputy defence minister. He was moved to the foreign ministry as a military adviser after criticising Pavel Grachev, the defence minister, for going to war.

Gromov, who led the Soviet army out of Afghanistan in 1989, may have been sidelined but he has not been silenced. "One day we will prove who is guilty for the Chechen war," he said. "The annihilation of a nation in order to punish one man, Dudayev," he said, referring to the Chechen leader Dzhokhar Dudayev. "It is too much for a normal person to understand."

With the removal of Gromov from the defence ministry and the resignation last month of the popular General Aleksandr Lebed, Grachev, one of the most unpopular men in Russia, has effectively dispensed with every serious inside pretender to his throne.

Gromov can only sit, wait and agonise in exile at his foreign ministry desk, even though, as a western military observer commented: "He would rather have been shot than forced to take that job."

A poll last year of generals and senior army officers showed Gromov and Lebed to be the most admired. The same poll gave Grachev a 20 percent approval rating. But the poll was taken before the Chechen war — a conflict that has since earned Grachev more enemies and Gromov more supporters.

Comments such as Grachev's infamous televised description of how "Russian boys are dying in Chechnya with smiles on their faces" and savage attacks on Russian human rights campaigners have sickened even those who supported the invasion.

Gromov's assistant describes him as a man "who shuts up and gets on with it". But the 51-year-old veteran has found it difficult to do so in the past few months.

Last week, as Grachev gloated over a presidential decree imposing permanent armed forces on Chechen territory — a hugely damaging step for the peace talks — Gromov bitterly criticised the defence minister's blatant ill-will towards the negotiations.

"I don't care what Grachev wants," he said. "These peace talks are essential. If they start listening to Grachev again, again there will be blood."

It would seem that Grachev is alone among Russian military leaders in wanting the Chechen conflict, which has already cost tens of thousands of lives, to continue. For him, the war is a convenient but temporary shield from serious allegations of corruption levelled against him last autumn.

To Gromov, a consummate professional who worked his way up the ranks of the Soviet army rather than leapfrogging, as did Grachev, the Chechen war was clearly unwinnable from the very beginning. Gromov, made a Hero of the Soviet Union for his leadership in Afghanistan, called on the "large number" of defence ministry troops still in Chechnya to be withdrawn immediately. "If there is no settlement, then the prospects are very bad," he said. "Blood will continue to flow, and it will flow outside Chechnya."

If Grachev ever gets fired by his ever-loyal boss, President Boris Yeltsin, and Gromov finally gets the ministry post many hope him to occupy, he promises a reckoning.

Gromov said he was satisfied that Yeltsin had dismissed the three ministers responsible for the bungled hostage seizure in Budennovsk last month: "He had to. The leaders didn't lead at all." But he said the sackings had not gone far enough.

"The people who started the war in Chechnya should have answered as well, because that's where it all started. And not everyone has been punished. I'm not going to name names," he said with a glance towards the ceiling, "but I am convinced that this process must continue.'

Baturin on Chechen Edicts, Dismissals, Bosnia

LD1007185895

[FBIS Editorial Report] Moscow Radiostantsiya Ekho Moskvy in Russian at 1640 GMT on 10 July broadcast an 11-minute interview, recorded today, with Yuriy Baturin, Russian President Boris Yeltsin's national security adviser, by correspondent Aleksander Vendikitov, in which he tells Moscow Echo radio that the "legal niceties" of the constitutionality or otherwise of the Russian president's and government's decisions that started the Chechen war will "mean little, if anything at all where the public at large is concerned," in view of the massive bloodshed and destruction the war has entailed.

Baturin was commenting on the Russian Constitutional Court's examination, which started today, of the constitutionality of President Boris Yeltsin's edicts and the Russian Government's decisions to start the war in Chechnya.

Asked whether he thought that the recent dismissals of Russian Internal Affairs Minister Viktor Yerin, Sergey Stepashin, the head of the Russian Federal Security Service, and Russian Minister for Nationalities Nikolay Yegorov were prompted by the terror campaign in Budennovsk alone, or whether the whole backdrop of the war in Chechnya may have played a part here, Baturin replies: "I think, of course, that had Budennovsk taken place in a vacuum, so to speak, if it were not for all these events, it is possible that the result for the heads of all these departments could have been different. However, for many months the situation has developed in such a way that, naturally, I will not rule out that the heads of these departments will have had to go sooner or later, even if the tragedy in Budennovsk had never occurred in the first place."

Baturin thinks that the Budennovsk syndrome, as he put it, will last for a very long time, as it has made the public aware of the dangers of terrorism.

Asked what, in his view, was ultimately to blame for the Chechen tragedy, Baturin says that "the very attempt to find a single cause of all this, whether in recent history, or in distant history, is erroneous. Each year and each decade throw up causes and factors of their own, intertwining with the effect of the causes and factors that operated in the past."

Commenting on Venediktov's attempt at a comparison between the Chechen and the Bosnian crises, Baturin says that the current situation in Bosnia poses a worldwide threat. "No matter how strange this may sound, the world's future attitude toward Russia, toward Russian policies, is being decided precisely in Bosnia. Unfortunately, our policies concerning this crisis in the south have over all the recent years suffered from inconsistency, inertia, lack of initiative." The "recent" decision by the Russian Federal Assembly on policy toward Bosnia could point the way forward, Baturin says. "Russia must take on an active role in resolving this conflict. The main thing that must be done is that all sides are treated in exactly the same manner. It is necessary to reactivate the Contact Group, so that rather than negotiate among themselves, its members can conduct negotiations with the warring sides. Naturally, the approach involving the rapid reaction force is unacceptable, as it is tantamount to a de facto Balkan expansion by NATO, under the guise of settling this conflict," Yuriy Baturin concludes.

Yeltsin, Lobov Discuss Security Issues

LD1007160495 Moscow ITAR-TASS in English 1547 GMT 10 Jul 95

[FBIS Transcribed Text] MOSCOW, July 10 (ITAR-TASS) — Russian President Boris Yeltsin met Security Council Chairman Oleg Lobov in Moscow on Monday to discuss security issues.

Lobov informed the president about arrangements being made for the next meeting of the Council and the preparation of the G-8 nuclear security summit to be held in Moscow in the spring of 1996 in keeping with the agreements reached in Halifax.

Yeltsin and Lobov also discussed insurance against industrial accidents, normative documents concerning Russian Cossacks and other current issues.

Further on Yeltsin-Lobov Meeting

LD1007185695 Moscow INTERFAX in English 1742 GMT 10 Jul 95

[FBIS Transcribed Text] MOSCOW, July 10 (INTERFAX) — Russian President Boris Yeltsin met with Russian Security Council Secretary Oleg Lobov in the Kremlin today.

Kremlin sources told INTERFAX that they had discussed issues concerning the preparations for the latest Russian Security Council sitting.

Lobov also briefed Yeltsin on preparations for the international conference on nuclear security, to be participated in by the heads of the eight leading countries of the world and which is expected to take place in Moscow in 1996. The need for this conference was agreed on at June's Halifax summit of the world's leading countries.

Yeltsin and Lobov also discussed documents on defining the legal status of Cossacks, the same sources said.

'Disappointment' With UN Sanctions Vote Seen

MM1007140395 Moscow IZVESTIYA in Russian 8 Jul 95 p 3

[Report by Maksim Yusin: "Moscow Gives Belgrade Top Marks for Behavior and Is Angry About Position of West, Which Disagrees"]

[FBIS Translated Text] Resolution 1003 adopted by the UN Security Council this week has so annoyed Moscow that it would be no exaggeration to talk about a new crisis in relations between Russia and the West. The stumbling block once again is the Yugoslav conflict.

It would seem that Moscow would only welcome the Security Council resolution, since it extends by 75 days the relaxed sanctions regime against Belgrade, which is seen by current Russian diplomats as our country's main ally in the Balkans. But Smolensk Square was clearly hoping for more. From Moscow's standpoint, sanctions need not to be relaxed but to be abolished outright, or the relaxed regime should at least be extended indefinitely rather than for two and a half months. In the opinion of Russian diplomats, Belgrade's "irreproachable behavior" deserved a reward from the world community. But the Western representatives on the Security Council were deaf to the Russians' arguments.

Moreover, Moscow called for the text of the resolution to leave out a paragraph on the need to end military aid to the Bosnian Serbs, accusing the authors of the document of a unilateral approach and adherence to double standards. But, unusually, the Western countries stood firm and refused to water down the formulas that annoyed Moscow.

Vasiliy Sidorov, acting Russian representative at the United Nations, found himself in a very awkward position. On the one hand, Russia considers the document proposed by the United States, France, Britain, Germany, and the Czech Republic unacceptable, but at the same time, if Russia used its veto, the sanctions against Belgrade would automatically be fully restored. As a result, Moscow abstained in the vote, while the other 14 Security Council members backed the resolution.

In the opinion of most Western states, Belgrade has by no means been as irreproachable as the Russians believe, and, despite official assurances, military aid to the Bosnian and Krajina Serbs continues. Consequently, it is premature to raise the question of lifting sanctions against Yugoslavia.

The Russian Foreign Ministry is making no secret of its disappointment. "We are forced to state with profound concern that a number of provisions of the adopted document fail to correspond to current Yugoslav realities and, moreover, run counter to the Contact Group's agreed line of encouraging a constructive approach from Belgrade," IZVESTIYA was told by Grigoriy Karasin, director of the Foreign Ministry Information and Press Department. An unnamed Russian diplomat hinted in an interview to INTERFAX that Moscow reserves the right to take retaliatory measures, one of which could be an attempt to block the UN decision to send British, French, and Dutch rapid reaction forces to Bosnia.

Russia and the West, which had only recently stated their desire to "cooperate fruitfully" on a Bosnian settlement, are increasingly resorting to the language of ultimatums and showing their complete inability to take coordinated action. The split among members of the Contact Group is growing with threatening speed — undermining still further the already fragile hopes for peace in Bosnia.

Federal Assembly

Zyuganov Addresses No-Confidence Vote Session

MM1007151695 Moscow PRAVDA ROSSII in Russian 6 Jul 95 p 1

[Speech by Gennadiy Zyuganov, leader of the Communist Party of the Russian Federation faction, at the 114th (extraordinary) plenary session of the State Duma 1 July: "This Course is Calamitous"]

[FBIS Translated Text] Esteemed colleagues, last time we said, indeed insisted, that until the motion for a vote of no confidence in the government had been considered, no other issues should be examined. This is strictly in line with the law and the Constitution. Today we voted in favor of examining the question of a vote of no confidence in the government. As far as our faction's real position is concerned, we have not had confidence in this course and this government for reasons of principle, inasmuch as this course is calamitous. Socioeconomic policy is not in Russia's national interests, and as far as individual ministers are concerned, they were and continue to be hostages of this course.

When it comes to stability, there can be no stability in a society whose current Constitution was adopted by only 25 percent of votes. There can be no stability in a society whose economic system is being destroyed and in which an enormous amount of property is being appropriated by people to whom it did not belong. There can be no stability in a society in which Chubays and Kozyrev, who initiated and are continuing this policy, remain in power. There can be no stability in a society in whose government Shakhray serves, who drew up the Belovezhskaya Forest agreement which is the main cause of the current tragedies and processes.

We openly declare that we do not even have one government. What we have is Yeltsin's government, which is currently going through its fourth reshuffle. We have a Chernomyrdin-led economic administration under the government of Yeltsin, whose instructions are carried out by practically none of the ministries. There is Kozyrev's government which is carrying out the U.S. State Department's instructions rather than the instructions of Yeltsin and Chernomyrdin. We are therefore in favor of a normal government that is capable of putting forward a blueprint of a doctrine for the country's development. The Communist Party faction endorses its previous opinion of no confidence in the government.

Rybkin's Conciliatory Qualities Praised

MM1107105295 Moscow ROSSIYSKIYE VESTI Saturday Edition in Russian 8 Jul 95 p 2

[Article by Martin Shakkum, vice president of "Reform" Foundation: "Rybkin Has Broken the Stereotype of a Confrontational Parliament"]

[FBIS Translated Text] Last Saturday, for the first time in Russian history, a serious power crisis was resolved not by means of a fistfight, which has become the usual thing for Russia in recent years, but just by a simple vote in the Duma. It is portentous that all the main characters were pleased with the voting results: the president, the government, the State Duma. I believe that this was largely the result of the efforts of Ivan Rybkin, who performed marvels of political maneuvering between the president, the government, and the deputies. In this situation he showed himself not as the leader of the deputies' corporation, like Khasbulatov, but, rather, as a politician who really understands all the threats lying in wait for the political system and the Russian president in the event of the Duma's dissolution. Instead of escalating the conflict, he showed by his statements and actions that he would be striving to resolve the crisis by means of compromises and conciliatory procedures.

The first step on this path was the creation of the State Duma Conciliation Commission to hold consultations with the president and the premier. The strategists of the confrontational line with the Duma failed to take account of the fact that Rybkin, by means of his constructive cooperation with the president, to a considerable degree broke the image of parliament as an institution hostile to the president and the government — an image formed by the Supreme Soviet. It was this factor that to a considerable degree prevented the supporters of a confrontational strategy from using the president as a battering ram against the State Duma. Rybkin succeeded in breaking the old stereotypes in relations between the president and parliament. Under the old Supreme Soviet the president had his "beloved" Gaydar and then Chernomyrdin and the "hated" Khasbulatov at the head of a congress ready at any minute to strip the president of power.

In the space of 18 months Rybkin has managed to convince society and the president that there are no friends or enemies in the Yeltsin-Chernomyrdin-Rybkin triangle and that, given the continued stability of the political system, Yeltsin, by cooperating with "friend" Chernomyrdin, can count simultaneously on the understanding and support of "friend" Rybkin and, together with "friend" Rybkin, can also discipline "friend" Chernomyrdin. Thus, thanks to the political and diplomatic art of the speaker, the State Duma, which right from the start was "sentenced" to conflict with the president and the executive authorities thanks to the efforts of the mass media and Zhirinovskiy, has turned into their quite reliable and predictable partner.

Geared to the Duma's dissolution, the strategists failed to take another important point into account: the fact that, during his 18-month leadership of the Duma and of the process of establishing a trusting relationship with the president, Rybkin has in fact given the president an opportunity to show himself in the role of "father of the fatherland."

Indeed, Russia's present Constitution, by granting the president all powers to make the final decision on all political and cadre issues, simultaneously gives him the opportunity to rise above the skirmish between the various power institutions. The supporters of escalating the conflict failed to take account of the fact that the new role of Rybkin and the Duma enabled the president to alter the image which had already taken shape: Now Yeltsin did not side with one participant in the conflict, standing behind Chernomyrdin, but was able to become an impartial judge-father pacifying his squabbling sons.

So a crisis has been resolved for the first time in a civilized manner — through conciliatory procedures, overcoming the image of the enemy, which was how the various institutions of power in Russia saw each other only recently, becoming implacable fighters for their own corporative institutions. The resolution of this crisis was an important stage in Ivan Rybkin's efforts to turn the State Duma into a constructive institution of cooperation with the president and the government. The president got the opportunity to act visibly in the role of a head of state equally responsible for the actions of all the power structures.

It has to be pointed out that such qualities as endurance, insistence, consistency of actions on the way to his goal, and persistence in achieving compromises, displayed by the Duma speaker in resolving the present power crisis, elevate him to the level of a leader capable of eliciting the voters' trust — which will be sure to affect the fate in the elections of the electoral bloc that Ivan Rybkin has now been building for several months without fuss or bustle.

Kolkoz Members' Land Ownership Rights Threatened

MM1007154295 Moscow IZVESTIYA in Russian
8 Jul 95 p 4

[Report by Yelena Yakovleva: "Law Allowing Kolkhozes To Take Land From Peasants Will Appear Soon"]

[FBIS Translated Text] IZVESTIYA has already reported that the State Duma has adopted a seemingly inoffensive law on agricultural cooperatives which, by rights, should be called the law on the expropriation of land from Russian peasants.

One of the main achievements of Russian reform has been to legitimize the right of kolkhoz members to leave their kolkhoz, but with a tract of land and a piece of property. This right has made it considerably easier for people to leave kolkhozes and become private farmers.

The articles of the new law on agricultural cooperatives set such a range of conditions before people leaving cooperatives can obtain land that to all intents and purposes it will be impossible to leave with a piece of land. Moreover, the owner of a tract of land loses the right to bequeath his property to his heirs without let or hindrance. An heir has to have joined a cooperative and worked there for at least 10 years to be able to claim the land. If he does not want to do so, he will be paid compensation — which, in the absence of a real land market, will probably be far less than the true worth.

The president vetoed the law "On Agricultural Cooperatives," but, unfortunately, the amendments in which the grievances were set forth were of an editorial nature and the State Duma deputies were happy to pass them. The law will soon be examined by the Federation Council. If it adopts the amendments the law will come into force.

The only way to stop the law then will be to appeal to the Constitutional Court. And it, as is well known, does not examine cases immediately....

Regional Affairs

Russian-Chechen Negotiations Continue in Groznyy

LD1007184495 Moscow ITAR-TASS in English
1755 GMT 10 Jul 95

[By Oleg Artyushin]

[FBIS Transcribed Text] GROZNYY, July 10 (ITAR-TASS) — The Organisation for Security and Cooperation in Europe's [OSCE] chief mediator said the Russian and Chechen delegations have made good progress and advanced towards a compromise on the political block of issues.

Sandor Meszaros, head of the OSCE mission in Chechnya, read out a communique on Monday saying that the parties have agreed on the approach to the key problems, including the status of the Chechen republic.

At the same time, he pointed out that each of the parties has spelled out its own vision of the republic's status and stated that all positions deserve to be thoroughly studied and considered in practical terms. The converging positions provide a good opportunity for the parties to find a concerted solution to the entire set of political issues, the communique said.

"Military experts continue their consultations. In the last two days they have reached the point where they can start devising a mechanism for the implementation of the block of military issues. The exchange of prisoners of war and captives continues. A system of communication between the warring sides has been agreed on and tested," the communique said.

Members of the Russian official delegation to the talks refrained from any comments. However, Usman

Imayev, head of the Chechen separatist leader Dzhokhar Dudayev's delegation, admitted that the discussion on Chechnya's status "was the most difficult part of the talks."

Meeting journalists after the talks at the OSCE headquarters in Groznyy, Imayev stressed that "the Chechen republic of Ichkeria had existed almost four years," while the Russian Constitution was adopted only two and a half years after Chechnya had declared independence. Nevertheless, "there is a desire to settle this issue juridically," Imayev said.

Imayev noted that the delegations should talk about real status of Chechnya. "After the elections — that's for the future status. We are talking about real status today," he told journalists.

Kulikov Joins Talks 11 Jul

LD1107085795. Moscow ITAR-TASS World Service in Russian 0829 GMT 11 Jul 95

[By Oleg Artyushin]

[FBIS Translated Text] Groznyy, 11 July (ITAR-TASS) — The talks on a finding a peaceful settlement to the crisis in the Chechen Republic resumed at 1000 today at the building of the OSCE mission in Groznyy. The Russian side at the talks has been joined by Russian Internal Affairs Minister Colonel General Anatoliy Kulikov.

Before the beginning of the talks, Russian delegation head Vyacheslav Mikhaylov said: "We have made an offer to Dudayev's side, which realistically reflects the situation. Those who want a settlement can agree to it."

Mikhail Krasnov, assistant to the Russian president, added that in the search for an accord, one could go a long way "without overstepping some boundaries."

As before, the talks are being held today under reinforced protection at the OSCE mission building, where the discussion is continuing. The streets are blocked by trucks, armored vehicles, and by members of the interior troops and the OMON [Special Purpose Militia Detachment]

Dudayev's supporters are gathering by the first cordon, at the entrance to the site of the talks, to hold another rally.

Chechen Side Consults With Dudayev

LD1107105695 Moscow Radiostantsiya Ekho Moskvy in Russian 0800 GMT 11 Jul 95

[FBIS Translated Text] Today could be decisive for the resolution of political problems at the Groznyy talks, our correspondent Vladimir Varfolomeyev reports.

[Varfolomeyev] Last night the Chechen delegation was in the mountains, and it has emerged that they had intensive consultations with President Dzhokhar Dudayev of the Chechen Republic. Judging by official reports, talk over the last few days has, as usual, been about the status of Chechnya. However, an Ekho Moskvy correspondent has learned from informed sources that the delegations are now discussing some other political problem that is very important for both sides. The source reports that the still-unresolved issue of the status of the Chechen Republic is not the main obstacle to accord.

This morning, the members of the Russian delegation discussed the situation at the talks on the telephone with the leadership of the country, and as the Ekho Moskvy correspondent was told by Mikhail Krasnov, aide to the Russian president, the position of our delegation received full support in Moscow.

Federal Security Convoy Ambushed in Groznyy

LD1107085995 Moscow Radio Rossii Network in Russian 0800 GMT 11 Jul 95

[FBIS Translated Text] A Federal Security Service convoy was ambushed last night on Staroye Promyslovskoye Shosse in the suburbs of Groznyy, INTERFAX was told at the operational headquarters of the Federal Security Service in Chechnya. Nine members of the Russian counterintelligence staff were injured, two of them seriously. Another died in the hospital.

The convoy, which consisted of two gasoline tankers and armored personnel carriers, was travelling from Mozdok. Both tankers were put out of commission and set on fire.

Dudayev Forces Said To Exploit Moratorium

LD1107103395 Moscow ITAR-TASS in English 1020 GMT 11 Jul 95

[By Sergey Ostanin]

[FBIS Transcribed Text] MOSCOW, July 11 (ITAR-TASS) — Chechen unlawful armed formations have opened fire five times on the positions of federal troops during the past twenty four hours. One serviceman was wounded. The most difficult situation is developing in the area of Bamut and Shatoy, where Dudayev's militants are being gradually concentrated, ITAR-TASS was told today at the Information and Press Department of the Russian Defence Ministry.

A military source in Groznyy told ITAR-TASS today by telephone that Dudayev's field commanders are exploiting the moratorium on hostilities to restore the fighting capacity of their detachments and organising interaction among them.

According to this source, subversive-terroristic teams are being trained at Dudayev's bases. They are to be used on Chechen territory and outside the republic. The propaganda efforts of Dudayev's men is gaining momentum. A meeting was held in Groznyy again on Monday. It demanded the withdrawal of federal troops from the territory of the republic and independence for Chechnya.

Chechen Agrarian Party Delegates Hold Meeting

MM1107103895 Moscow ROSSIYSKAYA GAZETA First Edition in Russian 7 Jul 95 p 2

[Report by Vakha Dzhanchorov: "There Will Be No Famine"]

[FBIS Translated Text] A meeting between delegates of the Chechen Republic organization of the Russian Agrarian party was held. One question was on the agenda: "The sociopolitical situation in the republic." In the opinion of the keynote speaker — Alash Saykhanov, chairman of the republican Agrarian Party organization — and the participants who spoke in the debates, the Chechen tragedy unleashed by Dzhokhar Dudayev and his entourage for the sake of their own selfish aims has cast a shadow on thousands of Russians and, like a bleeding wound, its grave consequences will pain our society for many years.

The rule of Dudayev's regime has had a particularly destructive effect on the agrarian complex. The Chechen Republic's agriculture has been completely destroyed over the past three years — equipment, livestock, and everything belonging to the farms has been destroyed and looted. In the meeting, sincere thanks was given for the enormous aid rendered to the Chechen republic's agriculture by the Russian Government and all republics and oblasts of the Federation. This spring, Chechnya received from the Russian Ministry of Agriculture a sufficient quantity of seeds, fertilizers, tractors, motor transport, and fuel and lubricants to make it possible to carry out the sowing in good time. As a result, an excellent harvest has ripened on the republic's fields and is now being brought in. An average of 30 quintals and more of grain is being harvested from each hectare.

"Were it not for this support from the entire Russian Federation," Samrail Gaziyev noted in his speech, "Chechnya would have been gripped by a terrible famine this winter, but now we have bread."

In the documents they adopted — a resolution and an appeal — the meeting's participants sharply denounced any separatist aspirations and stated that Chechnya is part of a united, indivisible Russia. They demanded that all combat groupings immediately lay down their weapons and resolve all questions at the peace conference table. The Agrarian Party members at the meeting wholly support the position of the Russian Government delegation at the talks in Groznyy.

Putina-95 Ends in East, Continues in Baltics

MK1107102095 Moscow SEGODNYA in Russian 11 Jul 95 p 2

[Report by Yuriy Golotyuk under the "Borders" rubric: "'Putina-95' Finished in Far East, To Start in Baltic Region. Japanese Poachers Replaced by Russian Ones"]

[FBIS Translated Text] As your SEGODNYA correspondent was told at the Federal Border Service, the first, four-month stage of the Border Service operation "Putina" [fishing season] to safeguard Russia's economic interests in its territorial waters ended yesterday on the Russian Federation's sea borders in the Far East, while the second stage of "Putina" was beginning in the Baltic region. According to the Far Eastern border guards, the number of trespasses committed by Japanese fishing boats has dropped tenfold this year. Shots from patrol vessels must have taught the poachers a lesson. Nonetheless, Rear Admiral Vyacheslav Serzhanin, head of the Pacific Border District Directorate Marine Department, is quoted as saying that there is a new trend in the encouraging statistics of "Putina-95": The number of Russian vessels charged with poaching is over 60 times the number of foreign ones. Thus, for every two foreign fishing vessels fined for violating the fishery regulations or the border regime, there were over 120 local seiners and trawlers engaged in unauthorized fishing in the national waters or attempting to smuggle seafood.

During the operation, 5,435 foreign and 1,152 Russian vessels were inspected, with fines for various violations of fishing regulations totaling over $30,000. The economic loss prevented is currently being calculated. Russian Federation Federal Border Service experts forecast that it will be no less than $300,000. "Last year's experience enabled us further to coordinate our efforts with the supporting services: customs, the fisheries supervisory body, and the fisheries inspectorate," Mr. Serzhanin said.

The second stage of "Putina-95" began yesterday in the Kaliningrad Border Troops' sector in the Baltic and is due to last until 30 July. There are six patrol vessels, an aircraft, and two Border Force helicopters involved in the operation, and Baltic Navy and fisheries supervision vessels will also be engaged.

Governor Nazdratenko Surveys Maritime Kray Issues

954F2717A Moscow ARGUMENTY I FAKTY in Russian No. 27, Jul 95 p 9

[Interview with Ye. Nazdratenko, governor of Maritime Kray, by Aleksandr Sargin; place and date not given: "Disgraced Governor?"]

[FBIS Translated Text] Local leaders acquire all-Russia celebrity more often than not "thanks" to the scandals that flare up around their names. They include Yevgeniy Nazdratenko, governor of Maritime Kray. True, despite the abundance of compromising material, he is still afloat. What is the secret of his unsinkability? We talk with him about this and much else.

[Nazdratenko] If we are speaking about the so-called unsinkability, who, if you will excuse me, actually thought up this entire argument around me? Gaydar and his team. I was checked out, and nothing was found, checked out again, and again nothing was found. I have now begun a new operation—Bread—and I have already come to be accused of having disturbed the bread mafia. What reason does the president have to dismiss me?

[Sargin] It is said that you are acquainted with the president and are a member of a tennis club known for its tight circle.

[Nazdratenko] I do not play tennis. I met Yeltsin for the first time in 1990, when we were deputies. Prior to this, I had known about him from the newspapers and television. After the meeting, I began to understand that strange provocative measures were being employed against him. And what sort are being employed now in respect to me?

[Sargin] You refer to your relations with Chubays? There has, it would seem, been a long-standing "love" between you.

[Nazdratenko] We met approximately two years ago. He brought with him to a session of the government commission a newspaper which had written that such an anti-marketeer as Nazdratenko had emerged and had suspended the formation of corporations out of several enterprises. Mr. Chubays said to me at that time, never mind, we'll fix it. I said: "Why so paternal a tone? I am conscious of all that I am doing." Yes, I was the first governor to issue a directive on the suspension of the formation of corporations from several strategic enterprises and reported to the government: Look what we are doing. We are selling off the base branches!

[Sargin] You refer to the coal industry?

[Nazdratenko] It also. In 1983 Maritime Kray produced 26 million tonnes of coal. It was produced by 38,000 men. Following the privatization, about which you know, this became a collective enterprise, which does what it wants. They may now fell timber, catch fish, and so forth. The same 38,000 work there and produce 9 million tonnes. This is a national tragedy! And I cannot give instructions as to what the outfit should be doing since, according to the law, the choice of production activity is up to them. The amount of coal produced suits the miners, but the state....

[Sargin] So you are proposing that the mines be subsidized once again?

[Nazdratenko] What, having here within the country relatively inexpensive raw material, we could not make our economy profitable?

[Sargin] What does the whole country got to do with this, Yevgeniy Ivanovich? You in the region should make these mines profitable.... All of privatization could be "given a kick" now. But criticizing with hindsight, scoring points for oneself, is easy.

[Nazdratenko] As regards "scoring points": I began to criticize those who are pursuing privatization here not prior to elections to the Duma or someplace else but from the first day that I assumed office. Yes, privatization is unequivocally necessary, I am for the denationalization of property. But why should it be undertaken in such a way that our most efficient enterprises are being bought up for a pittance? A small store in the center of Vladivostok was privatized for 700 million rubles [R]. This is normal. But a huge quay wall in Nakhodka 3.5 km long with all the gantry installations, for R350 million. And the privatization of the Nakhodka Ship-Repair Yard, for R350 million! And I cannot intervene because all is proceeding according to the laws compiled by Mr. Chubays. He has carried out privatization such that the vast majority of Russians have become poor, and we have presented our country's wealth to the world. The latter is simply lucky. The Maritime Shipping Company was privatized for R1 billion. A London insurance firm recently conducted an international audit, which valued the shipping company at $1 billion.

[Sargin] Yevgeniy Ivanovich, you undoubtedly take your region's welfare to heart. But how is it that you assemble for yourself a huge retinue and go to London during a miners' strike?

[Nazdratenko] I was there just a day and a half! This was a meeting of the Bank for Reconstruction and Development, which has invested the largest amount in our region. And I did not leave during the strike but when it was over. I met with both the strike committee and with the leadership of the mines.

We adopted a decision, and federal money was received for the miners. But what is most important is that the kray administration never held back any money for disbursement to the miners merely for the simple reason that not once did we receive any. We ask merely that money be sent via the administration in order that we may monitor and direct the process.

[Sargin] The "sweetest" functions: monitoring and directing a process. And requesting money in addition. Can you not earn it for yourselves?

[Nazdratenko] The administration is prohibited from intervening in economic activity. But order is demanded of me. How am I to produce coal and not intervene in economic activity? How am I to heat the stations and provide lighting and not be entitled to influence the director even? Nonetheless, a year ago I, not Mr. Chubays (as he says in all the news media), dismissed the leader of Primorskugol and discovered that they had sunk all the money into commercial structures.

[Sargin] You mentioned order. Can you yourself restore it? So that the Maritime region be known not for criminal achievements but a quiet life?

[Nazdratenko] You know, I was born and raised in the Maritime region. In Vladivostok previously everyone would go out for a stroll in the evening. Now this is, if you will excuse me, a besieged city, all the beaches are empty. But under me the crime-detection rate has increased almost 20 percent.

Nikolayev, commander of Russia's border forces, and myself assumed our offices at roughly the same time and began implementation of Operation Fishing. This helped and continues to help us safeguard our marine resources against plunder.

Here in the region we have carried out the very powerful Operation Timber. After all, the age-old ash was being felled and sold for $60 a cubic meter. Many people were arrested, criminal charges were brought. Four accountants were killed in broad daylight at the time of the start of the operation, what is more. Then we began Operation Oil. Think about it: Between Vladivostok and Angarsk there were 17 brokerage structures! Why so? No wonder my dacha was burned down at the time of these operations. My family and I barely managed to jump out. And it is being drummed into the inhabitants of the Maritime region that I am the main enemy. You will hold elections and see for yourselves whether this is the case or not. Why did I muster 86 percent of the vote for the Federation Council elections? This is one of the highest indicators in the country.

[Sargin] You are frequently received in Moscow by Soskovets. What, if it is no secret, do you talk about?

[Nazdratenko] We decide questions of transport, rates, coal, and so forth.

[Sargin] Have you not thought about the creation of, let's say, a Maritime Republic?

[Nazdratenko] Never. As long as I am in charge of the region there will be no republic. I am for the integrity of Russia. [end Nazdratenko]

From the editors: We would like to supplement this interview with impressions that were gained from several conversations, in the editorial office, at which our hero showed up unexpectedly out of the blue "to get acquainted," included. Vigorous, decisive, and caring deeply not only about his career but also his region and Russia—this is Nazdratenko. "Obsessed" with the struggle with Chubays and Russia's Choice and popularizer of rapid solutions a la Zhirinovskiy—this also is Nazdratenko. At the same time he is prepared to listen and accept others' arguments. In the privatization dispute he agreed that its unduly slow implementation would have led to it being directed not by "former laboratory heads" but by the Zaykovs and Kryuchkovs.

And one further supplement: Despite his outward straightforwardness, Yevgeniy Ivanovich is no simpleton, by no means! He is connected by strong threads to many structures. If we are speaking of the power structures, he is a full member of the president's tennis club, even though he does not play, and he is friendly with the most influential people from Yeltsin's entourage....

Siberia Oblast Tax Inspection Head Interviewed

954F2706A Novosibirsk SOVETSKAYA SIBIR in Russian 5 Jul 95 p 2

[Interview with Vladimir Kamyshan, chief of the Novosibirsk Oblast branch of the State Tax Inspectorate, by V. Maltseva under the rubric "Topical Interview"; place and date not given: "Taxes Are Not a Threat for a Healthy Economy"]

[FBIS Translated Text] The oblast tax service is five years old. Over this time its staff has grown tenfold (theoretically, according to the authorized staff roster)—from 456 to 4,500 persons. In practice, however, slightly more than 4,000 persons work there. There is also considerable personnel turnover—and this in a time when people hold on to their jobs. This is a special kind of work, however.

The latter was the subject of my first question to Vladimir Andreyevich Kamyshan, chief of the Novosibirsk Oblast branch of the State Tax Inspectorate.

[Kamyshan] The foremost requirement is psychological fitness; therefore, before being hired, a person has to take special tests that reveal his character, predilections, psychological stability, and so on.

[Maltseva] What if he is a smart criminal—will he pass all the tests and begin working here?

[Kamyshan] There is another unpleasant procedure, and we warn all new recruits about it: Their personnel files are immediately handed over to the tax police for a check.

This job is also complicated by the fact that changes and additions are constantly made to the tax legislation, so one has to continue education all the time. The oblast inspectorate has a permanent training facility. Since 1990 we have organized here 38 study flows for almost 1,000 employees, and about 3,000 improved their skills at various seminars.

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Of the specialists currently working in tax inspectorate organs, more than half have a higher education, and more than 1,000—a vocational secondary education. Most began their working careers less than five years ago; 324 have a career record of more than 10 years. Almost 1,000 are young people under 30 years of age, and 3,000 are under 50.

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[Maltseva] I imagine the taxpayer reading this is trying to calculate how much budget money has gone into training a new generation of bureaucrats.

[Kamyshan] Very little budget money. The structure was largely formed and its personnel trained with nonbudget funds—in particular, the tax service social development fund.

[Maltseva] Oh, that fund—the one that was formed from fines on undisciplined taxpayers?

[Kamyshan] Yes. Overall, I consider this situation abnormal—when control services have a direct incentive to levy fines, but otherwise we would not have been able to put the tax service together. The money was used mainly not for salaries but for outfitting and technical equipment.

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Technical support for the oblast tax service's operations includes 750 computers, an automated information system, 700 automated workstations, and about 50 fax machines.

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[Kamyshan] A year and a half ago, a decision was made the result of which changed the procedures for forming and utilizing this fund; since January of this year, the fund has been managed and controlled by the Federal Treasury.

An audit of the use of this fund in our oblast showed no abuses, but some expenditures were found ineffective.

[Maltseva] For instance?

[Kamyshan] The nonsmoker bonus. Perhaps this is not the best way to fight smoking, but people have started smoking less at work, and I hope this will benefit both their work and health. In addition, there were expenditures on a children's olympics and a ski crossing. We paid for a difficult surgery for one of our female employees who was in a car crash on a business trip.

[Maltseva] How does our oblast look as a whole as a taxpayer?

[Kamyshan] The oblast accounts for 12 percent of total revenue from the region and 1.5 percent of total Russian tax revenue.

[Maltseva] This means that if all the federation components paid such money, 135 percent of tax revenue would be collected?

[Kamyshan] This indicates not only the effectiveness of our work but also the volume of funds Novosibirsk operates with.

[Maltseva] What data could tell us what would happen if everyone paid their taxes as they are supposed to?

[Kamyshan] Unfortunately, we have been unable to meet the requirement of a mandatory audit of all legal entities once every two years. Over five years, the number of legal entities grew from 5,000 to 55,000, the number of individual private enterprises increased by 2,000 over the past two years alone, and 65 new banks opened.

The real audit coverage is approximately 15 percent of taxpayers. Over the past year of our work alone, additional taxes in the amount of 500 billion rubles [R] was assessed on concealed and understated income. Some payments have been deferred at the decision of the tax authorities, but there are also some that are hopeless to recover. Audits sometimes bring enterprises to bankruptcy. While the audit is in formal processing, no money is left in the account, and before you know it, the property disappears too.

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Over five months of the 1995 budget, revenue at all levels amounted to more than R1.5 billion. In addition, reciprocal settlement in the amount of R74 billion was offset against the federal and more than R200 billion against the oblast budgets.

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[Maltseva] SOVETSKAYA SIBIR readers sometimes ask us the following question: Why are tax audits mainly conducted at legally operating enterprises, while those doing business "on the shady side" are not subjected to any sanctions? Is it that tax evasion cannot be detected without documents?

[Kamyshan] The law gives us the right to estimate an enterprise's income by analogy with other similar enterprises. For instance, if a store with a certain type of merchandise and retail space pays a certain amount of tax, then another store with analogous attributes should have approximately the same tax liability. But because the mechanism for such assessment and collection of tax is still quite raw, the law is almost never used.

Quite possibly, the approach to such enterprises will be tightened and tax assessment procedures worked out, because the tax service's ideology is changing perceptibly. In the past, the main goal was the correct and timely transfer of taxes. Now the emphasis is being shifted: The government demands increasingly more money from our service.

[Maltseva] How do you select targets for audits?

[Kamyshan] I cannot fully answer this question, because it belongs in the realm of professional secrets. I can only describe some strategic directions. For instance, in the beginning we audited only large industrial enterprises; then banks—where, by the way, we uncovered gross financial violations. In the first quarter of this year, we looked into financial companies of the Selenga Russian House and Hopra type, as well as those conducting extensive entrepreneurial activities.

[Maltseva] You probably had a good "harvest," did you not?

[Kamyshan] Over the first quarter we conducted almost 125,000 audits of legal entities, including 33 jointly with the tax police department, and more than 25,000 audits of individual persons.

In the former group, additional assessments for different level budgets amounted to R138 billion, and in the latter—R1.3 billion. Almost one in every two audits reveals violations of the tax law.

As to financial companies, on paper almost all formalities are complied with. The audit results, as well as analysis of observations, were sent to Moscow, where all the data is being concentrated for subsequent decisions. Such companies paid their basic taxes on the consolidated balance, that is, it was done by the head company located in Volgograd. On the local level we noted disarray in recordkeeping of the proceeds and their safekeeping. Most likely a considerable part of the taxable base "disappeared in the sand."

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One figure gives a good indication of the inspectors' effectiveness: Each audit produces on average an additional assessment of about R300 million for the budget.

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[Maltseva] In your opinion, if entrepreneurs knew the law better, would they become more law-abiding taxpayers?

[Kamyshan] Literacy can never harm someone. The world has developed an institution of tax advisers. In our country, the burden of this falls on inspectors. One can argue whether we spend too much or too little time on it, but one thing is clear: It is physically impossible to do more. Imagine that a farmer has to submit his balance sheet. Even if he has help of an experienced bookkeeper, problems remain.

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There are on average 400-500 enterprises per each tax inspector.

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[Maltseva] Vladimir Andreyevich, permit me one more question that is not quite fitting for an anniversary: How much truth is there to the rumors about bribe-taking among tax inspectors?

[Kamyshan] In 1994 there were 10 instances of tax inspectors being detained on suspicion of taking bribes and altering documents. With respect to six of them, criminal proceedings were initiated; in the remaining cases no criminal wrongdoing was established. The bribes in question range from R50,000 to R2 million.

Three inspectors were convicted, but none ended up in jail. One was freed under an amnesty; another got a deferred sentence; and the third filed an appeal, which stayed the sentence.

There were more suspects in such crimes, but in most cases we are able to prove that no bribes were taken—someone desired to send an inspector to jail, and the bribe was offered as a set-up for this purpose.

[Maltseva] Will the pending adoption of the Tax Code bring at least some relief to taxpayers, who constantly complain that this is an excessive burden?

[Kamyshan] I believe that the code will eliminate duplication of some laws and streamline the entire legislative base to preclude different interpretations. I hope that the number of taxes will be reduced—right now there are 16 at the federal level alone, plus 23 local taxes. It is unrealistic to ensure full collection. There apparently will be other improvements.

As to the taxable base, it is unlikely to be reduced. The point is not that our taxes are excessive—the problem is the economy. Taxes are no threat for a healthy economy. For instance, in the United States, taxes on legal entities are the same, and for individual persons they are even greater. Taxpayers are being strangled by arrears, high interest rates, inflationary expectations, and the generally unsettled economic mechanism.

[Maltseva] What shall I wish you on your anniversary? Love from the taxpayers?

[Kamyshan] Thank you, but you do not have to love either taxes or tax inspectors. Taxes are the law, and it needs to be respected and complied with.

Comment on Performance of Smolensk Oblast Chief

954F2718A Moscow ARGUMENTY I FAKTY in Russian No. 27, Jul 95 p 9

[Article by Aleksandr Kondrashov: "For Some—Paradise, for Others—a Shack: The Wait on the Housing Waiting List in Smolensk Is More Than 30 Years, But Not for Everyone...."]

[FBIS Translated Text] In May, the Smolensk brass in a concerted action joined the "party of power"—the Russia Is Our Home electoral coalition. In Smolensk, people nicknamed the "nomenklatura CPSU" "Our Home Minus Russia." They pointed to the "obkom" [oblast party committee] mansion, where the oblast's chief "home builder"—administration head Anatoliy Glushenkov—lives.

The housing issue has spoiled not only Muscovites but also Smolensk governors. I do not know which Woland seduced the former head of the oblast administration, Valeriy Fateyev, but it was this ardent democrat who became the first to attempt to settle in an "unlucky" place. No, not in the apartment at 50 Bolshaya Sadovaya Street, described with such brilliance by Bulgakov in "The Master and Margarita." The governor, unpopular in Smolensk, would be transferred to Moscow later. First he tried to settle in the provincial "nobility nest"—the oblast center's famous No. 12-a on Karl Marx Street. It did not work out.

I saw the "obkom" house. It does not match the presidential suite in Krylatskoye, of course, but it is nevertheless impressive. It consists mainly of four-room apartments, with 80 to 100 square meters of living space each.

In terms of living space, the current governor can match the average American. I do not know, though, with whom to compare those on the waiting list for an apartment, who have been waiting, according to Smolensk mayoralty data, since 1959. On the priority list—families with many children, disabled war veterans—the wait is a little shorter: since 1964.

It appears the apartmentless claimants will not get their wish in this century. Over the past five years the volume of housing construction in the city has declined by almost 50 percent. Last year alone the cost of apartments rose 5.8-fold.

Meanwhile, available housing in Smolensk stands empty for years. As the saying goes, we have it—but not for you. It is being saved for the bosses. For instance, this spring the current head of the oblast administration, Anatoliy Yegorovich Glushenkov, was offered an apartment in the "house with lions" on Kommunisticheskaya Street. He refused. He wanted to move into Apartment 7 in the "obkom mansion"—12-a Karl Marx Street—which has been waiting for a real owner since way back in 1990.

And the apartment, just like in Bulgakov's novel, clearly is jinxed. The former head of the oblast administration, Valeriy Fateyev, had an eye on it—and resoundingly lost the elections. Rank and file voters could not forgive him not only the collapse of the oblast economy but personal immodesty as well. The nomenklatura also rejected the democratic upstart. He is not a real boss, they said. If he could not get the apartment for himself, nobody can expect anything good from him. Glushenkov is another matter.

Anatoliy Yegorovich reminds one of Speaker Rybkin in some ways. He gets along with everyone. He went into the elections as a passionate oppositionist. With the broad support of the communists, agrarians, and national-patriots. His election campaign speeches were scathing. For instance, speaking in the city of Gagarin he bluntly stated: "In principle, I would replace today

Yeltsin, Chernomyrdin, and Khasbulatov. I would replace everyone. And I think this will happen." In leaflets he promised to fight against the impoverishment of the working people and uncontrollable price rises.

Words, words.... How sweet they are. According to the Smolensk city statistics department, in the first quarter of this year prices rose faster than a year ago.

As we can see, the new governor's "successes" are no better than the old one's. All this causes disenchantment on the part of the voters, the activists of those parties that helped Glushenkov to win the elections against Fateyev. He did get a new ally—the nomenklatura. This is how the bureaucratic subordinates helped their chief push for an apartment in Smolensk's most prestigious house.

From a letter sent to the mayoralty by V.I. Ryzhichenkov, chief of the Internal Affairs Administration [UVD]:

"Head of the oblast administration A.Ye. Glushenkov lives with his family in Smolensk, at 21-2 Narvskaya Street, Apt. 9. This apartment house was built by the Smolensk refrigerator-making plant, where A.Ye. Glushenkov was director, and houses mainly families of plant employees."

Naturally, it is not befitting for a party member who has made it to the nobility to live next to working folks. Wrong neighborhood. Especially if, as Smolensk's chief policeman writes: "The subdistrict where A.Ye. Glushenkov's family lives has an especially high crime rate. In particular, six persons with prior convictions live in his apartment house."

In short, horror of horrors. How did Glushenkov manage to live in this building for 13 years without any problems? And on top of that, he says in an interview to Smolensk Radio: "A lot in my life was linked with that apartment—my son went to school there, and I worked there at the plant, I know everybody there; I like this subdistrict and will continue to like it."

There is clearly some misunderstanding between the governor and the policemen under his command. But in another letter, signed by acting UVD Chief A.V. Pantukhov, the Smolensk knights of law and order continue to push their line:

"In the next-door apartment No. 10, lessee Mikhaylova lives permanently with relatives in Demidovskiy Rayon, and her son has turned the apartment into a den of vice. Drinking parties and fights often occur there. The apartment frequently is visited by antisocial individuals, persons without permanent residence, and lawbreakers. All measures to impose law and order taken by the Leninskiy Rayon UVD have produced no positive results...."

Wow, what a governor! What police! They cannot get one brawler to behave or get one section of an apartment building in order. And two years ago, on the eve of elections, Anatoliy Yegorovich swore both verbally and in writing that he would not spare himself in the fight against runaway crime. Today he suggests another solution: He will move to the "obkom" building and live next to police brass Pantukhov and Ryzhichenkov, and give his old apartment to a helpless disabled man. Let the cripple get things in order.

These are glorious times for the bosses. Do what you please. Nobody will call you on the party carpet, issue a reprimand, or fire you. In the old times you could get slapped on the wrist sometimes. Not too badly, though.

I have in front of me a protocol of the meeting of the Smolensk CPSU Gorkom [City Committee] Bureau, dated 22 April 1982. Marked "Secret." Copy No. 1.

"During his period of working in the position of Executive Committee chairman of the Promyshlennyy Rayon Soviet—from December 1979 to date—Glushenkov permitted serious shortcomings in the distribution of housing set aside for disabled veterans of the Great Patriotic War and families of those who died in the war, as well as abuse of official position for personal gain.

"The CPSU Gorkom Bureau RESOLVES:

"For abuse of official position for personal gain, gross violations of housing legislation and of moral and ethnical norms of behavior of a communist and a leader, Comrade A.Ye. Glushenkov hereby shall be issued a severe reprimand and shall be considered unfit to remain in the position of Promyshlennyy Rayon Soviet Executive Committee chairman."

Such is the substance of the CPSU Gorkom Bureau's secret protocol. I am curious: Will such internal investigations in the new "party of power" also be kept secret from the people? Most likely so.

A raven will not peck out another raven's eye. A boss will not let another boss get hurt.

Economic Issues

'Insiders' Say Moscow 'More Realistic' About Debts

AU0707161995 Duesseldorf HANDELSBLATT in German 7 Jul 95 p 29

[Report by "egl": "Moscow Looking for Long-Term Solution"]

[FBIS Translated Text] Frankfurt/Main, 6 July — During two-day meetings in Frankfurt on 4 and 5 July, the western creditor banks, which are united in the Advisory Committee, and a Russian delegation, headed by Deputy Prime Minister Oleg Davydov, made progress on the way to a comprehensive settlement of old debts.

In a joint statement, both sides say that the discussion was "constructive and fruitful." As the concluding statement added, a "working group" is to be established for the further discussion of the forthcoming rescheduling agreement — which is to extend all old bank debts for up to 25 years — and this working group is also supposed to set down the date of the next round of negotiations. Deutsche Bank is chairing the so-called "London Club," which achieved far-reaching agreement with the Russians on the last big package of debts on the fringes of the IMF annual meeting in Madrid in October 1994 and in London in March 1995.

Already, in Moscow, Davydov had announced that this year at least $1 billion are being allocated to debts payments to western creditor bands. About $500 million — that is, about half of the payments — have already been received. For 1995, the Russian Parliament approved $6.5 billion for external debt service, which is far more than over the past few years.

As during the previous round of rescheduling talks of the western governments in the "Paris Club" a few weeks ago, during the negotiations with the creditor banks in Frankfurt this week, Moscow's negotiators were more realistic regarding the debts than in the past, insiders noted.

It is said that, even though, Oleg Davydov, the minister responsible for the debt negotiations, "acted very politically," he did without the polemics that he had displayed in the past. Previously, Davydov had shocked the western creditors — in particular Bonn and Frankfurt — by demanding that they renounce the repayment and servicing of old debts.

Vice Premier Chubays Sees 'Boom' in Industry

MM1007122795 Moscow TRUD in Russian 8 Jul 95 p 1

[Report by Feliks Goryunov: "Anatoliy Chubays: 'Everything Is Fine. Apart From the Standard of Living'"]

[FBIS Translated Text] These few words can be used to summarize the assessment of the economic results of the first half-year made by Russian First Deputy Premier for journalists at a press conference 6 July. These results inspire Anatoliy Chubays with "cautious optimism" regarding the future development of the Russian economy for two main reasons.

First, in the vice premier's opinion, the industrial slump has given way to a boom. During the first half-year, total production stood at 97 percent compared with last year's level. Sectors and whole regions have emerged with steady economic growth — something that was not seen in 1992-1994. Second, there have been positive changes in the financial sector of the economy. The inflation rate in June was 2.5-percent lower than in May. The dollar is being ousted from the Russian economy. Budget implementation in the second quarter reached 90 percent.

The government's most acute problem, Chubays said, is the decline in the population's living standards. They began to drop last October and continued until this March. The increase in real income that began in April has not made up for their losses in previous months despite the increase in the minimum wage and pensions in May. Therefore, in September it is planned to raise the minimum wage and pensions again (by 20 percent). The decision adopted by the government and the Central Bank on 5 July to introduce restrictions on fluctuations in the ruble-dollar rate of exchange is socially significant. It indicates a government commitment to protect citizens' foreign currency cash from devaluation by 1 October.

The first vice premier also thinks that the July increase in import duties on food will have little effect on the cost of food. Contrary to the Moscow mayor's gloomy forecasts that meat prices will rise by over 40 percent, it has not happened so far. In Chubays' opinion, food prices will rise at the same rate as other commodities. However, the government admits that the effective level of inflation has proved higher than forecast. There is an explanation for that. One Cabinet session in March discussed two options for an anti-inflationary policy: The first presupposed a rapid reduction in the rate of inflation, the second a slower but surer fall. The government chose the second option, paying for a surefire fall in the rate of inflation at the cost of speed. That has paid off, since key macroeconomic indicators based on the half-yearly results were better than last year.

Mr. Chubays did not explain which indicators precisely were better. In this connection it should be remembered that the rate of inflation had dropped by the middle of last year to 4 percent a month and in a number of sectors the decline in production had stopped, but then everything went wrong.

EBRD President on Dangers to Reform Policy

MM1007124695 Moscow IZVESTIYA (Financial Section) in Russian 6 Jul 95 p i

[Report by Aleksey Portanskiy: "Russia Heading Toward Market, But U-Turn Not Ruled Out, EBRD President Jacques de Larosiere Believes"]

[FBIS Translated Text] Jacques de Larosiere, president of the European Bank for Reconstruction and Development [EBRD], who visited Moscow last Sunday and Monday, sees Russia at a crossroads. Undoubtedly, he stated, the country already has a market economy. But there is still a danger of the reform policy being changed.

The worst but still likely prediction, in De Larosiere's opinion, is that Russia would establish a severely distorted market-economy model functioning in the interests of a limited number of lobby groups competing among themselves for a slice of the state pie in the context of stagnant production. Such a model is typified by arbitrary decisions, excessive politicization, and corruption. An alternative option could be the creation of a transparent economy based on generally accepted market rules. But there are no reliable guarantees currently in place for such a model.

It is encouraging to hear one of the world's top authorities in the sphere of economics and finance — which is what the current head of the EBRD is — recognize the fact that Russia now has a better chance than ever of achieving economic stabilization. At the same time, the foundations underneath this are very shaky.

Obstacles such as inflation, unsophisticated legislation in the property and tax sphere, the obsolete system of transactions that distorts cost indicators, and the lack of any proper security for market operators are liable to deter both foreign and domestic investors from investing the billions of dollars which are so desperately needed to modernize Russian enterprises.

Macroeconomic instability sharply narrows the range of projects available for financing in the country. As a result of these risks, potential long-term foreign financial resources often find their way only into short-term speculative deals.

Geared above all to reviving the private sector, the EBRD is the biggest foreign investor in Russia. By the beginning of this year, the bank had approved 180 Russian projects in the oil and gas sector, agriculture, transportation, and the services sphere. By late May, another 43 investment projects had been added to this figure, to which the EBRD intends to allocate $1.5 billion against an overall value of $4 billion. Some $223 million of this amount has already been allocated.

The EBRD funding mechanism consists of adding 35 percent of funds to a project when an enterprise has around 25 percent in funds of its own. After this, the search for a third partner is considerably simplified by dint of the very fact of such a major bank as the EBRD taking part in the project. The bank devotes special attention to the development of the financial sector and to the development of small businesses in Russia.

With Jacques de Larosiere's advent to the post of president of the bank, the EBRD's Russian emphasis has notably increased — the Russian Federation's share of its overall portfolio is 25 percent and is expected to increase.

Former Minister Fedorov Doubts Stabilization

MK1107073095 Moscow SEGODNYA in Russian 11 Jul 95 p 2

[Report by Mikhail Lantsman under the "Skeptics" rubric: "Boris Fedorov Thinks the Government's Optimism Is Affected and Advises Viktor Chernomyrdin 'Not To Spit Into the Wind'"]

[FBIS Translated Text] Despite the Central Bank's introduction of the ruble peg on the interbank currency exchange, Boris Fedorov, former Russian finance minister, predicts a precipitous fall of the ruble exchange rate starting 15 August that would push it past the established upper limit. According to Mr. Fedorov's forecast, the exchange rate will stop at the level of 6,000-7,000 rubles against $1 by year's end. In his view, there will be no one-time crash similar to the one last year, although the government has increased the likelihood of steep fluctuations by announcing that the peg limits will be revised by 1 October. The leader of the "Forward, Russia!" parliamentary faction said this yesterday at a news conference devoted to the prospects of the government's fourth attempt at financial stabilization.

Mr. Fedorov recalled, citing the examples of Poland and Israel, that a fixed rate of the national currency, even in an abridged form such as a "peg," tends to be introduced at the outset of a stabilization policy so as to quash inflationary tendencies. In his words, this measure yields positive results if the following occurs: first, the domestic economy is sufficiently integrated with the world economy; second, the government firmly sticks with stated macroeconomic parameters. Meanwhile, Mr. Fedorov thinks, the degree of our integration into the world economy is not yet great, while First Deputy Prime Minister Anatoliy Chubays' "guarded optimism" regarding the fourth attempt at financial stabilization is not confirmed by facts.

In the view of the former head of the Finance Ministry, the government program, that was agreed upon with the IMF, fell through on all key macroeconomic indicators. The average inflation rate in the first six months was 12 percent against 10 percent in 1994. According to the Economic Analysis Institute, the money supply grew 15 percent. The budget deficit increased from 3.5 percent of GDP in March to 4.6 percent of GDP in April, while the monthly budget deficit in May was 9 percent of GDP. A total of 40 percent of the budget deficit is paid off by issuing government securities. In Mr. Fedorov's view, servicing the budget deficit by turning on the money printing machine would have cost much less.

In August-September, Mr. Fedorov thinks, Mr. Chubays' "guarded optimism" will be shaken by the state budget spending to settle the Chechen conflict, to finance harvesting, and to supply the northern areas with goods. In his words, the government is perfectly aware of the bleak prospects for financial stabilization this year, which was reflected in the modest figures of the 1996 draft budget, such as the budget deficit of 4-4.5 percent of GDP; and the average monthly inflation rate of 2-2.5 percent.

The Central Bank's decision to keep the ruble within a currency band, Mr. Fedorov thinks, was prompted not so much by economic realities, but rather by the Chernomyrdin cabinet's pressure aimed at lowering the market's inflationary expectations. In reality, however, the authorities have set a clear timetable for currency speculations and possible flare-ups of inflation. As Mr. Fedorov put it, by taking on responsibility for maintaining the currency peg, the government violated one of the key commandments for participants in the currency market, namely, "Do not spit into the wind."

The leader of the "Forward, Russia!" movement highly appraised Mr. Chubays' capacity for providing ideological support to the policy of financial stabilization. "The financial market cannot be deceived for much longer, however," Mr. Fedorov said. "One should not forget that Chubays will become the scapegoat of the financial stabilization policy." Now the key problem for the first deputy prime minister, his former cabinet colleague believes, is not the fight against inflation, but the fight with his own government, and the pledge to keep up the currency peg serves him as a protection of sorts. "But as long as the budget remains a sham," Mr. Fedorov reasoned, "It is difficult to talk about higher matters."

Article Advocates Tough Measures for Stabilization

MM1007134995 Moscow IZVESTIYA (Financial Section) in Russian 6 Jul 95 p iv

[Article by Andrey Illarionov and Mikhail Dmitriyev under the "Opinion" rubric: "1995 Stabilization Program on Brink of Collapse. Only Emergency Measures by Authorities Can Save It, According to Andrey Illarionov and Mikhail Dmitriyev of the Institute of Economic Analysis"]

[FBIS Translated Text] The three previous attempts at financial stabilization in Russia — those by Pavlov, Gaydar, and Fedorov — ended in failure. The present attempt at financial stabilization has a far higher likelihood of success when compared with previous ones.

The necessary political preconditions are already in place. The executive seems very steadfast in its desire to achieve stabilization on the eve of the parliamentary and presidential elections. Successful financial stabilization is a powerful argument in the election campaign; consequently the authorities are more united than ever before in their desire to achieve stabilization.

The goal of stabilization is being pursued by a skillful team of economists equipped with an intelligent program and the necessary administrative resources.

The implementation of the government program is being effectively supported by the IMF both financially and intellectually — within the framework of the regular monitoring of government policy.

The government has demonstrated a readiness to implement a series of highly important stabilization measures. In 1994 the budget deficit was equivalent to 10.4 percent of GDP. According to the first 1995 draft budget, it was reduced to 7.8 percent of GDP. The Law on the Budget, ratified by the State Duma, set a deficit ceiling of around 5.6 percent of GDP. In fact, for the first five months of 1995, the budget deficit was reduced to 4.6 percent of GDP. This is obvious progress in government policy.

This year is the year of the Federal Assembly elections. History knows no example of successful stabilization programs on the eve of parliamentary elections. However, in contrast to world experience and our own experience in Russia in previous years, this very fact could help stabilization this year. The voters have grown tired of living with high inflation.

Nevertheless, there are still quite a few obstacles in the way of stabilization.

Even though the budget deficit fell considerably in the first quarter of 1995, it remains too high. Even in the unlikely event that the government keeps it at a level of 4.6 percent of GDP and does not increase it to 5.6 percent of GDP in the remaining months of the year, a deficit at this level makes financial stabilization in 1995 highly doubtful. There is not a single country in Eastern Europe and the former Soviet Union where the budget deficit exceeded 1 percent of GDP in the year that financial stabilization was achieved.

Contrary to the often-stated noninflationary character of deficit funding, to a considerable extent it continues to be funded directly or indirectly by an increase in the assets of the financial authorities. Only the commercial banks' acquisition of state securities (state short-term bonds), constituting 1.5 percent of GDP in the first five months of 1995, and foreign credits (1.2 percent of GDP) can be counted as a purely noninflationary form of financing. The remaining 1.9 percent of GDP (41 percent of the total deficit) resulted from the issue of direct loans to the government by the Central Bank and by the Central Bank's purchase of state securities on the secondary market and the Finance Ministry's issue of additional short-term bonds.

The implementation of the budget remains highly doubtful because a considerable proportion of the measures announced in the sphere of financial stabilization and economic liberalization remain on paper. The level of energy prices in dollars in the first five months of 1995 rose somewhat but nevertheless remains below the indicator for spring 1994 and does not exceed 34-37 percent of the world price. Russian oil exports in April 1995 were at the level for March and were even 5 percent down on the level for April 1994. In the first five months of 1995 the total export of oil and oil products fell by 1.6 percent compared with the corresponding period last year. All these factors give rise to grave doubts about whether the liberalization of the fuel and energy complex really took place or whether the Ministry of Fuel and Energy still controls the movement of energy sources. Budget revenue from the taxation of energy sources remains extremely low. The excise duty on oil remained at the previous level — 28,000 rubles [R] a tonne — while the excise duty on gas is just 15 percent and the export duty on gas is just 2 ECU's per 1000 cubic meters.

The list of presidential edicts and government decrees, which served as the basis for tax and duty exemptions totaling many billions and are to be abolished, has not been published yet, so it follows that these exemptions and concessions continue to operate. The recent extension of customs duty exemptions for public organizations and the de facto abolition of the customs border with Belarus are leading to a decline in budget revenue measuring tens of trillions of rubles.

The increase in the proportion of state consumption in GDP to 26.5 percent in the first quarter of 1995 compared with 16.5 percent in 1992, 17.3 percent in 1993, and 22.0 percent in 1994 — an increase unprecedented in world and Russian economic experience — is evidence of the deep internal contradiction in the actions of a government which is simultaneously trying to balance the budget and increase state consumption. The increase in state consumption, largely due to the increased cost of the bureaucracy and the military operations in Chechnya, has led to a substantial redistribution of the country's financial resources from the private sector to the state sector. In the first four months of 1995 there was a sharp decline in volume of state transfers to the population and, consequently, a 9-percent decline in the volumes of retail trade turnover and private consumption, a 12-percent fall in the population's real incomes, and a 30-percent fall in real wages. Despite the unprecedented reduction in private consumption in the first quarter of 1995 the extra burden of state expenditure is seriously limiting the possibility of achieving financial stabilization in 1995.

The Finance Ministry and the Central Bank have been unable to issue new types of state securities promptly, with the result that the program for funding the budget deficit in the third quarter is under threat.

The atmosphere of secrecy and conspiracy surrounding the preparation and implementation of government plans is a crucial factor adversely affecting stabilization. The authorities have denied the public access to basic information about the state of the credit and monetary sphere and have thus undermined confidence in themselves. This is giving rise to conflicting assessments and rumors which intensify the universal uncertainty and feed inflationary expectations. In such an atmosphere it is hard to expect interest rates to continue falling and the circulation of money to slow down, without which long-term stabilization is impossible.

The policy of the artificial devaluation of the ruble pursued by the Central Bank and the government in January-April made it possible to increase currency reserves by several billion dollars but at the same time led to the growth of the ruble money supply. The average rate of money supply growth in the period February to June rose to 10.0 percent a month compared with 7.6 percent in the final quarter of 1994.

The decline in the dollar exchange rate noticeably reduced the population's tendency to hold savings in dollars (down from 23.1 percent in January 1995 to 9.7 percent in May). However, the Russians' reduced confidence in the dollar did not lead to a significant increase in their confidence in the ruble. The inclination to hold savings in rubles increased by just 20 percent (from 6.1 percent in January to 7.3 percent in May). As a result there has been a substantial decline in the overall savings norm — from 29.2 percent in January to 17.0 percent in May. Meanwhile, there is a greater inclination to hold dollar savings than rubles (9.7 percent against 7.3 percent).

In the absence of reliable financial instruments for savings in rubles the conversion of dollar savings into rubles has led to an increase in "hot money" in the population's hands — from 2 percent of money incomes in 1994 to 6-7 percent in April-May 1995. The lack of reliable financial instruments for ruble savings has forced the population to channel funds obtained from the conversion of dollars into the consumer market. Retail trade turnover in May leapt by 15.3 percent compared with April. However, the nature of this consumer boom is not entirely healthy. The population did not use their current incomes to purchase goods — those incomes are under fierce pressure from budget policy restrictions — but their savings.

At a time when confidence in government policy is low and inflationary expectations are high, the rise in the currency exchange rate and the conversion of dollars into rubles have not led to a significant slowdown in the pace of money circulation or the replacement of dollar savings by ruble savings. The increased growth rate of money supply continues to exert powerful inflationary pressure.

As a result of the interaction of all the aforementioned factors, the rate of inflation in the consumer market will most probably rise in the fall after slowing somewhat in the summer and will remain at a level of 5-8 percent a month until the end of the year. This will signal the failure of the latest attempt at financial stabilization in Russia. Thus an exceptionally high price is going to be paid for achieving financial stabilization — namely, a sharp decline in the population's real incomes and real consumption. However, financial stabilization itself will not be achieved.

The "window" of political opportunity for achieving financial stabilization will probably not be open too long — not beyond the end of the summer. Only a package of tough anti-inflationary measures implemented without delay by the government and the Bank of Russia can save stabilization.

First of all it is necessary to reduce the budget deficit in the remaining months of the year to zero, for which it is necessary to reduce state consumption radically. The 1996 budget must also be taken out of deficit and the tax collection system must be reorganized.

The liberalization of the fuel and energy complex and foreign trade must really be implemented and the taxation of the energy sector must be increased.

The Central Bank must undertake a legal commitment to support the stability of the national currency. There is also an opportunity to fix the rate of the ruble. There is also a need for a legal ban on the issue of credit to the government by the Central Bank of Russia, and the issue of treasury bonds must cease. The official credit-monetary and financial statistics must be made unreservedly available to the public.

In view of the severity of the proposed financial restrictions it is necessary to implement measures to avert a banking crisis and reform the social security sphere.

The financial stabilization policy has now entered a critical phase. It can only be saved from disaster by the resolute acceleration of the economic reforms during summer.

Unless that happens, and if the government remains a passive observer of the financial drama in Russia, by fall the dollar exchange rate will inevitably rise again, there will be a run on currency reserves, the inflation which is ravaging the country will continue, and economic stagnation will deepen.

Article Doubts Assurances of Economic Stabilization

MM1107091795 Moscow PRAVDA in Russian 7 Jul 95 p 6

[Article by Anatoliy Sidorov, deputy chairman of the State Duma Committee for Economic Policy, carried under the "Deputy's Comments" rubric: "White House Conceit"]

[FBIS Translated Text] Recent months have seen quite a few statements of the following kind made at various levels of executive authority: The slump in production is over, or, if there is one still, it is negligible; inflation is growing slowly and will soon be down to just 1-2 percent per month; the ruble has strengthened. In short, our authorities are full of conceit.

Now, admittedly, the tone has somewhat changed: Basically, the government is already talking about the successful fulfillment of the federal budget. Finance Minister Panskov regards the fact that budget revenue rose by 3 percent above plan in the first quarter as the main achievement. The minister is pulling a fast one, but it is possible to forgive.

The possibility of this kind of success was already laid down when the budget was being drafted. The calculation of revenue was made on the basis of clearly understated inflation in order to ensure that actual budget fulfillment was above plan, while various indices enabling "good" accounting figures to be obtained were used in calculating the microeconomic indicators. Thus, if things had worked out even close to plan, the above-plan increase in growth would have been roughly 20 percent rather than 3 percent. If they had not sold 1.5 billion rubles' worth of hard currency and gold, the revenue gathered would have been 1.5 percent below plan.

In terms of expenditure, things are even "better." The same applies to inflation, the reduction in which also produced paeans from those IMF economists and experts with a vested interest. In reality, however, wholesale prices in industry rose in the first quarter of 1995 by 90 percent as against 67 percent in the corresponding period last year. During the first four months, consumer prices increased by 55 percent (the figure for the same period last year being 51 percent).

Perhaps this is the legacy of last year's mistakes and the situation will right itself? Material resources [resursy] are now increasing in price more quickly than wholesale prices for wholesale output [as published]. This means the creation of huge potential for rising costs for a long time ahead.

The potential for inflation is also increasing as a result of a further "burden" imposed on the structure of Russian industrial production. This new spiral began at the end of 1994. The monetary restrictions introduced as part of the tightening of credit and monetary policy has chiefly hit the manufacture of highly processed goods. The raw-materials sectors are far less sensitive to this because the bulk of their output is exported and they can react to the crisis of sales pretty calmly. They not only do not need to lower prices because of shortage of money among home consumers but can constantly raise prices toward world levels or simply set prohibitively high prices in the home market, which gives scope for maximized growth in exports.

February 1995 produced a record leap in unemployment. By April this year, according to ILO [International Labor Organization] methodology, 7.7 percent of the economically active population was unemployed, of whom 2.7 percent were officially registered. In 1992 these figures were respectively 3 percent and 0.4 percent; in 1993, 5.3 percent and 1 percent; in 1994, 6.8 percent and 1.7 percent. The trend toward unemployment becoming stagnant in character is intensifying here. According to sociological surveys, around 600,000 of the active population have despaired of ever finding work and no longer make any effort to do so. At present, the average age of an unemployed person is 34.2 years. The unemployment rate for economically active under-20's is 26.8 percent.

There is hardly anyone who retains even a shred of conscience who will be able to deny that the one stable thing in our country for the present is deteriorating conditions of life for the majority and an increasing flow of easy money for the few. However, the high-ups do not worry about their consciences. Taking liberties themselves, the top level of power are unable to deny their subordinates the same. It is appropriate here to cite a few extracts from a speech delivered by the premier at the government session held on 25 May this year. He was talking about the pillaging of targeted resources allocated out of the federal budget: "The Employment Fund is the prime 'culprit.' 'The North' is the second, but you have the same rogues here! And we have created unrestricted conditions for them to operate in." The real truth, Mr. Prime Minister. He continues: "The country is basically being robbed blind, the unimaginable is happening. No so long ago we were discussing the allocation of 236 billion rubles [R] to pay the wages of workers in budget-financed establishments. It turns out that the money did not reach them, they have been without means to live on for three to four months. What did we do? We calmly 'swallowed' it all."

That is the kind of stability we have. They promise to put everything right if we elect them. But what is preventing their doing it right now? They are busy robbing and do not have the time? Perhaps the State Duma, which has no opportunity really to influence the course of events, is stopping them, or perhaps it is the West — the lifesaver for some — which is to blame?

The lack of an overview of structural reforms, the liberalization of prices, entrepreneurs' "freedom" from the state, the orientation of the country's leadership toward foreign credits rather than home resources, and, finally, the dollarization of the economy — all this leaves Russia's economy bereft of any guidelines in its development. Restoring the coordination of structural and investment policy — both in terms of time and space — is therefore a natural prerequisite for positive results in Russia's economic reform.

Moreover, the continuation of the haphazard process of "spontaneous development" of particular areas of economic reforms threatens to destroy the country's economy once and for all. Ultimately, the following questions have to be decided in economic policy: Which ways and means of running the economy of the prereform period can be used in the conditions of a market economy; which monetarist thrusts of reform of the nineties should be excluded from the armory of economic policy; and which methods of the market economy have confirmed their viability and need development and state support.

The encouragement of consumer and investment demand, the full backup of resources necessary to ensure the reproduction of social product, productive capital, and the work force are the chief economic targets of the structural reforms for the 1995-1997 period. Therefore, monetarist methods have to be revised and a scientifically based model for forming the market consistent with the real needs of Russia's economy has to be worked out.

To this end, it is essential first and foremost to put the whole system of financial regulators of economic growth in order, namely the circulation of money and price, tax, credit, and amortization policy, and to coordinate the forms of activity of commercial and administrative structures. It is time to set a real, regulated rate of exchange for the ruble against foreign currencies.

After all, the real ruble-dollar exchange rate calculated in terms of purchasing power is lower by a factor of at least 10 and produces a figure of around R300 to the dollar. At present, however, $1 is worth R4,300 to R4,900, and they want to "preserve" it despite this. There is even less correlation between the ruble and the dollar in terms of the output of the means of production. For many kinds of goods the commodity convertibility of home- produced wares has traditionally shaped up in favor of our products. That is precisely why the quick chance to obtain huge profits forces commercial banks to build their activity on the basis of speculative transactions rather than investment activity.

But, strange though it may seem, both a depressed ruble exchange rate and speculation on the floors of the interbank currency exchanges are beneficial to those who ascribe paramount importance to the fetish of so-called financial stabilization. They give the government the opportunity to patch up the latest hole in the budget by auctioning off some of the dollars derived from the sale of oil and gas.

Interview With Paramonova on Bank, Home Life

MM1107103295 Moscow KOMSOMOLSKAYA PRAVDA in Russian 7-14 Jul 95 p 5

[Interview with Tatyana Paramonova, acting chairman of the Central Bank, by Yelena Levina, date and place not given: "Paramonova Does Not Convert Her Salary into Dollars. Until Recently People Joked: 'Will the Ruble Behave like a Real Gentleman and Stand Up When a Lady Enters the Room?' It Has Behaved Like a Gentleman in the Presence of This Lady" — first paragraph is introduction]

[FBIS Translated Text] As someone who rarely gives interviews, Tatyana Vladimirovna turned into an enigma, an unattainable "femme fatale," according to my fellow journalists, from the moment that she entered office as acting chairman of the Central Bank. She has almost become a star. Journalists used to say that it was easier to storm the Central Bank than get an interview from the first lady of the national currency.

[Levina] Is it true, Tatyana Vladimirovna, that you are a willful and strong woman and that men are afraid of you?

[Paramonova] Yes, I can make tough decisions. I summon someone and tell him that I am taking away his bonus for this or that reason. Do you accept that? I ask. "Yes." I ask why. "Because you have already given me three warnings." I correct him — not three warnings but five.

[Levina] You can count the number of women financiers on your fingers — there is you, Rayevskaya at the "Avtobank," and Kozyreva at the "Tveruniversalbank." Why are there so few women here?

[Paramonova] I would not call it so few. There are other women in leading positions in the Central Bank apart from me. My deputy and the chiefs of several departments are women. They are intelligent and knowledgeable specialists. Until recently, I was not aware of a sex problem. At the Central Bank, especially in recent years, it was not specially important whether you were a man or a woman. What counted was your ability to work.

[Levina] You said "until recently." Who made you aware of the sensitive question of being a woman?

[Paramonova] The press. It was from the newspapers that I learned why my nomination was not upheld: "Paramonova is a woman." So what? I am not the only [female] president in the world. In Poland, the Central Bank is also headed by a woman. I have counterparts in Finland and Denmark and we maintain relations.

[Levina] They say that you have a staggering female intuition, but that you also have the head of a male banker.

[Paramonova] My intuition is based on knowledge, on an assessment of the possible consequences, and on envisaging the options. A male mental attitude? Yes, probably. I have to make quick, accurate decisions.

[Levina] They say that few men can take Paramonova's pace. Is that a compliment to you?

[Paramonova] No. This is simply from necessity.

[Levina] Do you not consult with your husband?

[Paramonova] I have hardly seen my husband recently. Consult on what — work-related questions? Yes, of course. Only when it is do with a change of job. I ask whether he thinks I should or not. Sometimes my husband gets distraught — what do you need all this for? But at the same time he does give me moral support.

[Levina] Does he not criticize you for being at home so rarely?

[Paramonova] Sometimes. But I used to be late home before. When I joined the Central Bank in 1992, things were tough for me. It was hard work. I had to get my bearings and work out what was going on. I had to develop a system that is now largely operating in automatic mode, knock on wood.

[Levina] Does that mean that your husband understands his chairman-wife?

[Paramonova] Yes. Although he does sometimes have doubts and asks — why did you agree to do this? I say that if I had doubted even for a moment the necessity of doing this... We have every opportunity for providing the country with a strong national currency. It is hard to make unpopular decisions, of course. When we increased the mandatory reserves, even my colleagues at work who realized the importance of this step on the eve of my confirmation [as chairman] advised me to bide my time. But I realized that this was precisely when this decision had to be made. It was of great benefit to the country and reduced inflation.

[Levina] Unpopular measures are not a good career move.

[Paramonova] I am not in this for myself. Otherwise I would have bided my time until what you are hinting at had happened. In other words, I would have waited until my appointment was confirmed and then I would have swung into action. But there are things that have to be done right now. Tomorrow may be too late. I am not a politician. This is the right position, it seems to me. Especially given the present situation in the country where there are lots of different forces....

[Levina] ...And they sometimes try to exert pressure?

[Paramonova] Sometimes, to some extent, yes they do. But I believe that the Central Bank should be the kind of organization that is capable of protecting the interests of the whole population not just of various groupings in society. The national currency is also a guarantee of stability.

[Levina] The population has learned from life and various political intriguers not to take too kindly to extreme measures and for some time now has been afraid of "Black Tuesdays."

[Paramonova] There are times when the desire to avoid making an unpopular decision also leads to extremes. Of course you can understand those people who hoarded dollars last year as a hedge against inflation — they are losing out. On the other hand those who receive their pay in rubles are winners. We live in Russia and the government must protect the national currency. I myself, for example, will never convert my rubles.

[Levina] People do not have confidence, Tatyana Vladimirovna.

[Paramonova] Their fears are unjustified. All of my people know — I will never convert. That is my inner conviction. I have already cited the example of the mandatory reserves. I realized that this unpopular measure would bring great pressure to bear on the Central Bank, but I also knew the value of this move. It was beneficial. We are on the verge of a breakthrough. Russia is going to make a great leap forward, and if it all continues as it is operating now, our country will be revitalized.

[Levina] With good reason, people say that Paramonova is hot-blooded and a firebrand.

[Paramonova] Me? I do not know. They do not always understand us. Nevertheless, the people support us. When my mother-in-law arrived from Tula to help me with the housework, she stood in the waiting lines and heard what people said about her daughter-in-law: "That woman... the one who..." Then she hurried home and repeated it. All the time she reassured me, saying: "Stick with it, Tatyana, way to go!"

[Levina] They call you a "Gerashchenko in drag."

[Paramonova] I worked with Gerashchenko for the last five years. I built up contacts in the production process. I gained a lot from that. Gerashchenko is a knowledgeable man. He was a wise and professional leader. But I already had 17 years' work experience and I regarded myself as a proper specialist. I gave my opinion on any question regardless of what the leadership thought.

[Levina] But do you lend money yourself, Tatyana Vladimirovna?

[Paramonova] I am not very rich and I get less than any commercial bank manager. For some reason people often ask me that question and even draw attention to my clothes.

[Levina] Where do you buy your clothes?

[Paramonova] I choose all my clothes myself wherever I can. Once I needed a new dress for a high society function. I went to Slava Zaytsev's fashion house. I saw the prices and I swooned. I could not afford it. So I left empty-handed.

[Levina] All your outfits are described in the press in very great detail. Paramonova's wardrobe is very well known. The blue velvet dress with the silver lace. The elegant "autumn outfit" made of muslin, crepe de chine, and satin. The green and brown suit you wear to work...

[Paramonova] Precisely. I do not find this offensive, I am a normal woman. But I think that our men, like foreign men, respect me not just because I am wearing a striped suit today but also because of what I do.

[Levina] For example, you are creating the "Bankir" interbank settlement system.

[Paramonova] That is not all. The settlement system is simply visual evidence of the changes which have already taken place and will enable the whole country to switch to plastic cards in a few years' time. This is a difficult job. But if we are still here it will all work out well in our country.

[Levina] Then you will go down in Russian history as the first woman banker?

[Paramonova] I do not know. Every day I read the newspapers. I see what people write. I am disappointed at the superficiality and the coverage of certain questions which is sometimes not very well-informed. When the dollar exchange rate was falling they wrote that this was bad. Now the rise in the rate of ruble is also bad. A great cash turnover, a lot of money — this is all bad too.

[Levina] Has anyone ever told you that you look like Catherine [the Great], especially in profile? There is a striking color about your face, a ruddy glow. Do you perhaps wash with ice in the morning?

[Paramonova] Everyone asks me that. I eat ice. By the bucket. I have to be able to think quickly and clearly. Especially in the morning. Between 10:00 a.m. and 1:00 p.m. I have to make clear, well-considered decisions. I turn a great number of options over in my mind. Sometimes 10 minutes can be of great significance for the country. The ice helps me keep calm and cool. After lunch, nearer 4:00 p.m., when the bank working day is drawing to a close I can wind down a little and switch to a more relaxed style of work

[Levina] Do you think, Tatyana Vladimirovna, that a woman could become president of Russia?

[Paramonova] You have to be a professional in various spheres. You need great ability and knowledge to succeed and become established. I do not know if such a woman exists in our country today. I doubt it.

[Levina] But there is such a woman in Poland. Your counterpart at the Central Bank is standing for president there and no one criticizes her for being a lady.

[Paramonova] On the other hand, our press lets no one forget that Paramonova is a woman.

[Levina] ...a woman of substance who wears a size 41 shoe?

[Paramonova] That has been repeated in a number of publications. That is probably the outsider's view. No one has taken my measurements. In fact I wear a size 37.5. I used to be a lot slimmer than I am now. But now because of my sedentary lifestyle.... Furthermore, I enjoy my food. This is a sign of good health. I have a permanently heavy work load. I eat sandwiches. Especially when I have to stay on late and we have to work together. They say people should switch to vegetarianism. I love borsht and I make a pretty mean first course and zakuski. The only thing my husband does not trust me with is meat. I do not argue.

[Levina] You pretend to give in on that one?

[Paramonova] Recently there has been no need to pretend. I simply do not have the time. Even though I really like everything at home to be nice and cosy.

[Levina] ....with your cat [koshka] purring on the mat....

[Paramonova] He's a tom [kot], actually. We all call him Tsezar but my mother in law calls him Barsik. Opinions differed on this one in our house. My son likes biographies of the great and famous and chose the name himself. But Tsezar is not proud, he answers to Barsik as well.

[Levina] Your son feels for you, are you not afraid that the whole class will know who Yaroslav Paramonov's mother is?

[Paramonova] This has happened. My son was really embarrassed. But now that the whole class knows about his mother, Yaroslav is more laid back about it.

[Levina] Is there another financier growing up in the family?

[Paramonova] It is hard to say. More likely an economist or a lawyer. There has never been anyone with a technical education in our family. My husband and I studied together at the Plekhanov Moscow Institute of the National Economy. He now works in the finance department of a joint stock company.

[Levina] You are always surrounded by interesting people. Admirers who are ready to offer you flowers and pay you compliments. They say that Paramonova has the ability to arouse enormous interest among men of the most diverse ages and professional backgrounds and, furthermore, not just in her capacity as acting chief banker. Tell us, Tatyana Vladimirovna, what kind of men do you like?

[Paramonova] Men? I like different types. Academics most of all. Intelligent men.

[Levina] What about women?

[Paramonova] Intelligent women, let me emphasize the word intelligent. And there are very many intelligent women in my entourage. There are also beautiful and thrifty women among them. Unfortunately, they aren't all married, it has to be said. I often travel abroad. Our women are the most beautiful. Each one has charms of her own. They love us for that.

[Levina] And do they have faith in you?

[Paramonova] More often, it is doubt. Six months ago everyone used to joke: "Will the ruble behave like a real gentleman and stand up when a lady enters the room?" Well, yes, it did!

[Levina] It won't fall again?

[Paramonova] This is dependent on too many factors. Not just on the Central Bank.

[Levina] Do you have a favorite perfume?

[Paramonova] I use different ones, whichever comes to hand. But people tell me that there are perfumes that suit me — Anais-Anais for example. It is French. Only I am afraid I might be confused.

[Levina] They say that you are a charming woman. But they say that the mask of friendliness hides a tough and disciplined boss.

[Paramonova] When I graduated from the institute, everyone told me that I should go into post-graduate studies. You have a good head on your shoulders, you have brains, they said. But I did not go, although it would probably have been beneficial. I have gained a lot over the years, however, and I have learned far more. I have tried to do not only practical things but read books as well. I really know how the whole edifice of the Central Bank works because I have been through many sections of it and I find it easy to get my bearings. I see many things and I know how to make the whole mechanism work. It is gratifying when our Western colleagues appreciate us and the Central Bank's prestige rises. Students who were in my year think that I have made the right choice. I was not wrong. Admittedly at that time I could not even begin to suspect that it would all work out this way. But even then I realized that it was important to know and understand how things work rather than repeat other people's ideas. Why? Well, if you can think for yourself you should. And this is despite the fact that Paramonova is a woman....

Foreign Trade Figures for First Quarter Viewed

MM1007121095 Moscow ROSSIYSKAYA GAZETA First Edition in Russian 7 Jul 95 p 11

[Unattributed report from "Departmental Supplement" section: "Raw Material Again"]

[FBIS Translated Text] Russian exports to the countries of the near and far abroad in the first quarter rose by comparison with the same period by 11.6 percent and reached $14.3 billion, the Russian Federation Ministry of Foreign Economic Relations has reported.

Statistics show that the growth of exports was achieved by increasing deliveries of raw material goods, primarily energy carriers. Therefore, oil exports rose 11 percent, natural gas exports rose 16 percent, pulp exports 48 percent, nickel exports 52 percent, and copper exports 212 percent. Here in terms of cost, exports of this output — in connection with the rise in prices for it on the world market — increased even more substantially. Thus the currency profit from oil deliveries rose by 40 percent, the profit from pulp by 285 percent, and from nickel by 175 percent.

Experts link the increase in deliveries of raw material abroad with the liberalization of exports in the Russian Federation, particularly with the repeal of quotas for raw material goods. In their opinion this trend will intensify in the second quarter in connection with the repeal of the institution of special exporters as of 25 March.

In the first quarter of 1995, the trend toward the buildup of imports from countries of the far abroad continued, comprising $7.8 billion, increasingly 11.9 percent. Here imports from the former union republics, on the contrary, declined 2.5 percent.

The increase in imports from the far abroad is connected with the increase in the physical and cost volumes of food purchases, including meat (increasing 19 and 43 percent respectively), butter (80 and 131 percent),and sunflower oil (228 and 230 percent). The import of machinery and equipment as a whole increased 23.5 percent including by 40.4 percent from countries of the far abroad.

The total volume of Russia's trade with the countries of the near and far abroad in the first quarter of this year reached $20.1 billion, which is $2.3 billion or 10.3 percent more than last year's level. Here the positive balance of foreign trade was $4.5 billion as opposed to $3.8 billion in the first quarter of 1994.

Imported Food Duty Hike To Hit Consumers

MM1007155295 Moscow ROSSIYSKIYE VESTI in Russian 7 Jul 95 p 1

[Article by Marina Kryuchkova: "What We are Going to Eat, and What It Will Cost Following the Increase in Customs Duties on Imported Food"]

[FBIS Translated Text] The inhabitants of Moscow and St. Petersburg are particularly upset — which is not at all surprising. Indeed, the diet of both Russian capitals is 60-70 percent foreign food, which saw an increase in customs duties as of 1 July.

At first glance the increase is not that great: Beef, ham, bananas, and oranges are 5-8 percent more expensive at customs and juice and soft drinks are slightly more expensive than that. But together with the 10-percent value-added tax imposed on imported food at the end of April, the mark-up is now nearly one-fourth of the cost of the food. The picture is completed by inflation, turning these figures into very large amounts as far as our empty pockets are concerned.

The current picture is as follows. Meat and meat products and sausage have now gone up by 10-12 percent, fruit and vegetable juices by 500-800 rubles [R], and various cakes, pastries, and other foreign delicacies by R1,000-1,500 at a stroke.

Obviously these figures are by no means final. Most of what is on sale at the moment is food imported under the old duty rates. According to information from a number of Moscow customs points, there has been a marked reduction in food imports in recent days — literally a few truckloads per day. Importers are biding their time, assessing the situation. On the one hand, the strengthening of the ruble and the fall in the dollar create favorable conditions for importing goods. But, on the other hand, new duties....

Incidentally, in the opinion of many economists, the increase in import duty rates will not result in a sharp rise in prices as long as the dollar falls against the ruble. In that case, according to the most pessimistic forecasts, the cost of the food basket will increase by 30 percent. I would remind you that in June it was R195,900 on average in Russia, and the maximum cost was a little over three times more than the minimum. Food is cheapest in the Volga area and Central Chernozem region and dearest in the Far East, where the same basket costs R356,000-381,000. In Moscow and St. Petersburg, these figures were R248,000 and R203,000 respectively in June. Let us see what July comes up with.

To be more precise, July-August. As I was told at a major Moscow import firm, prices will rise most in 4-6 weeks' time, when the capital will have switched over entirely to "new imports." The surge in prices then will be of the order of 40-45 percent, while meat and dried milk could double in price.

I admit that my interlocutors were laying it on a little thick. But there is no doubt that in any event traders will not be on the losing side. This implies a threat not only to our pockets but to our health as well. In pursuit of profits, some of the imports are bound to go into the "shadow economy" — which means it will be harder to control food quality. So in the very near future, the consumer will have to become doubly vigilant and examine labels carefully before buying goods. Particularly as State Standards, the Committee for Sanitary and Epidemiological Supervision, and other monitoring bodies have not yet resolved the question of destroying substandard products — date-expired sausage, sour cream, and cottage cheese. It is not at all inconceivable that food that is banned from sale in stores might resurface on a stall or a peddler's tray.

Now we come to Russian goods. Interestingly enough, not only imported food but Russian eggs, milk, and butter increased in price in July. Whereas in June prices were practically the same as in May, in July they went up by 6-8 percent.

Since import duty does not apply here, one assumes that Russian agricultural producers, cheered by the appearance of customs barriers, are secretly trying to push the prices of their products at least up to the level of profitability.

Indeed, the prime cost of our meat and milk is much higher than foreign equivalents. Russian poultry farms literally have to give away chickens to the trade outlets — at a price that is 1.5-2 times lower than the prime cost.

The new import duties, which are meant to protect our agricultural producers, will certainly do the job. But they certainly will not increase the amount of cheap food in the stores. This is further confirmed by the recent Moscow wholesale food buying fair, at which our producers were offering their products at prices twice as high as the new customs tariff. And the situation is unlikely to be changed much by the 1 July Russian Federation government decree legalizing a small (by

1-2 percent) reduction in the rate of value-added tax on such food commodities as meat, milk, kefir, cottage cheese, eggs, bread, sugar, salt, baby food, potatoes, and groats. Of course, we — including the inhabitants of both capitals — are probably not going to get out of the habit of eating something from time to time. But I am sure that the Russians' diet, particularly that of the poor, is going to become even less varied. Although I very much hope that I am wrong....

Consumer Market Conditions, Trends Viewed

MM1007125995 Moscow TRUD in Russian 8 Jul 95 p 2

["Forecast" prepared by Strategic Analysis and Forecast Center (leader Professor Dmitriy Olshanskiy): "July: Exporters Versus Importers"]

[FBIS Translated Text] The beginning of July was marked by a quest for the optimum means of resolving the main problems. The authorities, inspired by the strengthening of the ruble, are now preoccupied with this problem since they are coming under pressure from exporters. The dollar has gotten a fixed "floating" rate vis-a-vis the Russian currency.

Obviously there will be a new regrouping of forces. On the one hand, Anatoliy Chubays backed [Central Bank of Russia acting chairman] Tatyana Paramonova and the reduction in the rate of exchange, which is detrimental to exporters' interests. On the other hand, his speech opposing "privileged" importers and conflict with [Moscow Mayor] Yuriy Luzhkov bring his positions close to those of agrarians and other commodity producers. From this viewpoint Chubays' suspension of his membership of "Russia's Choice" and the "Russia Is Our Home" movement is understandable.

Thus, the formation of two economic camps is coming to an end in the economy. One team is represented by importers and the other by exporters. And regardless of personal preferences politicians will be forced to defend the interests of their own teams. However, a number of figures will perforce go over to a camp from which they previously tried to keep aloof.

One can predict a rapprochement in the positions espoused by Chubays, Yasin, Zaveryukha, Lapshin, Rybkin, Paramonova, and others. Two ideas will act as unifying factors. One being support for the national producer: first agricultural producers and then producers of industrial goods in demand at home. The second idea is the attitude toward trade and financial circles — primarily banks. In other words the increase in import duties and maintenance of a stable ruble rate of exchange are the two main conditions on which a new alliance and new demarcation will arise.

July will be the month that sees an increase in the Central Bank of Russia's [CBR's] overall economic clout. Moreover, the CBR is once again becoming a key department in government economic policy, as it was in 1993. This is due to a number of factors. Having proclaimed a course of financial stabilization and tough financial policy with February's slogan of "onward from a past of inflation to a future of investment," the authorities based their plans on money from the population and private capital, particularly bank capital, flooding the investment market. But that did not happen.

In the current conditions the CBR has been forced from July to assume not only what is the purely bank function of regulating and stabilizing the money supply but also of funding the economy and, importantly, the function of reallocating the remaining resources. This is illustrated by the CBR's intention avowed in late June to embark on opening commercial bank deposit accounts in the near future. At a lower rate of interest, moreover, than on the interbank credit market since the CBR provides a 100-percent guarantee.

Favorable times are setting in for players in the securities market. The government's efforts to reduce the appeal of and squeeze out bearer securities and other kinds of securities as well as the dollar from the money market are bearing fruit. The bulk of financial institutions' money is being channeled into the market in privatized enterprise shares. In the near future the market value of shares in industrial enterprises, primarily fuel and energy and metallurgical enterprises and the electricity and communications networks, will carry on rising.

In the real sector of the economy production growth will be achieved by ferrous metallurgy and the textile industry. On the whole the slump in production is continuing.

The situation in the money market will stay the same. Some change in the development of events is possible. But by and large there will be negligible fluctuations in the rate of the dollar. Although short-term speculation is quite possible. The population may also start dumping currency as well as the banks. Meanwhile the rate of inflation will remain at 1.2-1.5 percent per week. In that case citizens lose a chance to build up savings.

What is more, prices of imported industrial commodities, primarily food, will start rising. At the same time the rise in prices will be due not just to the introduction of new import duties but also to citizens' attempting to invest their devalued money in goods. So the number of purchases and trips to the stores will increase.

In central areas of Russia there will be difficulties with sugar, cheap cigarettes, and other nonperishable commodities. At the same time prices of vegetable produce, particularly perishable goods, will not change substantially but will most likely stabilize. Interest will also be shown in industrial durables — refrigerators, televisions, furniture, electronics, etc. People selling these goods will have a few happy days.

Clothing salesmen should know that clothing which resembles rags (patched, torn, outsize clothing, etc.) is going out of fashion. Neat, orderly clothing and a tidy, groomed appearance is gradually coming in. This will primarily be reflected in the range of goods in the clothing markets.

Wheat Harvest Forecasted at 33 Million Tonnes

LD1007165995 Moscow ITAR-TASS World Service in Russian 1222 GMT 10 Jul 95

[By Oleg Velichko and Pavel Kuznetsov]

[FBIS Translated Text] Moscow, 10 Jul (ITAR-TASS) — "If the weather conditions are favorable, Russia's wheat harvest this year will amount to 33 million tonnes, and grain crops as a whole — 80-82 million tonnes," Aleksandr Yefremov, Russian deputy minister of agriculture and food, told ITAR-TASS. At the same time, he said that Russia's annual wheat consumption amounts to 28 million tonnes.

According to a prediction by Mikhail Lapshin, chairman of Russia's Agrarian Party, because of drought the harvest of grain crops in a number of Russia's regions will be down by 10-15 million tonnes.

Aleksandr Yefremov believes that the total amounts will depend on a whole number of "ifs" — supplying the countryside with oils and lubricants, allocating the necessary funds to purchase spare parts and, of course, the weather which, incidentally, does not inspire farmers with any particular optimism at the moment. In this connection it should be noted that, according to ministry experts, a reduction in the volume of the harvest is anticipated in parts of western Siberia, the southern Urals, the greater part of the Black soil zone, Ryazan and Orlov regions, and a number of others.

Aleksandr Yefremov noted that there has been a trend recently toward a reduction in wheat purchases on the part of the agricultural producers themselves. There is a simple explanation for this — a lack of funds from the federal budget.

International Affairs

Kiev Votes To Condemn Russian Violations in Chechnya

LD1007152195 Moscow INTERFAX in English 1339 GMT 10 Jul 95

["INTERFAX-UKRAINE" news item]

[FBIS Transcribed Text] Kiev, July 10 (Interfax - Ukraine) — Oleksander Moroz-led Ukrainian delegation to the OCSE's Parliament Assembly, which closed in Ottawa Saturday, voted for the resolution condemning Russia for the violations in Chechnya of international law and OCSE principles, delegation member Ihor Kostash, Ukrainian people's deputy, told newsmen yesterday.

The condemnation of Russia's actions was initiated at the Parliament assembly by the delegation of the U.S.A., Kostash said.

The OCSE is settling problems of ethnic minorities only in their relations with the state, according to Vladimir Butkevich, parliament committee chief for human rights and ethnic minorities.

"However, most of such conflicts involve and are provoked by a third force", he said, adding that "the OCSE, for the time being, has no machinery to prevent such actions".

He cited "activities of politicians of a third country in Crimea" as an example of such influence on the situation in Ukraine.

Defense Minister Notes 'Significant' U.S. Aid

WS1007105095 Kiev INTELNEWS in English 0125 GMT 8 Jul 95

[FBIS Transcribed Excerpt] Kiev, July 7 — Ukraine highly values the development of the Ukrainian-American partnership, particularly in the military field, Defense Minister Valeriy Shmarov said Thursday. Shmarov is heading a Ukrainian military delegation currently touring the United States, according to the Defense Ministry.

Shmarov said that the United States provides significant assistance to Ukraine in the areas of nuclear disarmament, defense industry conversion, retraining and instruction of military staff. [passage omitted]

Kuchma Praises German Support for Reforms

LD0707173495 Moscow INTERFAX in English 1635 GMT 7 Jul 95

[From the "Presidential Bulletin" feature No. 127 (871): Compiled by Nikolay Zherebtsov and Andrey Petrovskiy; edited by Vladimir Shishlin]

[FBIS Transcribed Text] According to Leonid Kuchma, during his four day visit to Germany, "the policy of reform, being carried out by the Ukrainian leadership, has evoked understanding and support" in that country.

At a meeting with representatives of the Ukrainian diaspora in Munich, Kuchma reported that his talks with the German Chancellor had been marked by warmth and frankness. "The chancellor and I understood each other for 100 percent," Kuchma remarked.

During the visit, the Ukrainian delegation sought to enlist German support for efforts toward shutting down the Chernobyl nuclear power station. Ukraine's Minister for Environmental Protection and Nuclear Safety Yuriy Kostenko negotiated the issue with German experts earlier in the week. Kostenko welcomed the fact that the German negotiators seemed to be realizing that the closure of the Chernobyl nuclear power plant should be compensated by the opening of a thermal electric station, a point earlier disapproved by Germany.

The two leaders agreed in principle that Kohl would pay a visit to Germany next spring.

Addressing members of the German Institute of Foreign Policy in Berlin, Kuchma declared that Ukraine regarded itself "as an integral and inseparable part of Europe politically, economically, legally, and territorially."

He stressed that in its vision of "a new Europe" Ukraine proceeded from "the unity and integrity of Europe as a continent belonging to all nations living on it." He noted that Ukraine regarded as the biggest threat to a future European structure "the signs of a furtive confrontation between the security structures existing on the continent."

Kuchma called for stronger trust building measures, which, as he put it, "are yet another sphere, where a solution to many international issues can be found and agreement can be reached."

He called for honoring the principle of "single security" for the sake of avoiding new lines of division in Europe. And he urged that "Ukraine's top priority national interests, security, and the evolutionary nature of this process must be property ensured."

Support in Kiev Strong for Kuchma, Weak for Kravchuk

LD1007201895

[FBIS Editorial Report] Kiev UT-1 Television Network in Ukrainian at 1800 GMT on 10 July carries a 1-minute report on a poll conducted by the Democratic Initiatives Center which finds that if the presidential election were held today, the residents of Kiev would overwhelmingly support the current incumbent, while former president Leonid Kravchuk would scrape through with only eight percent of the vote. Leonid Kuchma, on the other hand, would secure 40 percent of the vote.

The poll also revealed that of those who supported Leonid Kuchma, virtually none would vote for Leonid Kravchuk today, while only 24 percent of the former president's supporters have remained loyal to him. The poll showed that 41 percent of Ukraine's youth did not bother to take part in the presidential election, Ukrainian TV reported.

Tabachnyk Views Cooperation With Argentine Official

WS1007112595 Kiev UKRINFORM in English 1005 GMT 10 Jul 95

[From the "Current Events" feature]

[FBIS Transcribed Text] As the Ukrainian Embassy in Buenos Aires, Argentina, reported on Friday, July 7, presidential administration head Dmytro Tabachnyk, who arrived in Argentina to attend celebrations involving Argentinean President Carlos S. Menem's inauguration, met with Argentinean Presidential Administration Secretary-General Alberto Kojane, who is also the Christian Party leader.

During the meeting, Mr. Tabachnyk informed the host party about Ukraine's current sociopolitical and economic situation. The two officials exchanged opinions about the present status and prospects of Argentinean-Ukrainian bilateral relations.

The meeting was attended by Ukrainian Ambassador to Argentina Viktor Pashchyk.

Deputy Interior Minister, Administration Appointed

LD0807183595 Kiev Radio Ukraine World Service in Ukrainian 1600 GMT 8 Jul 95

[FBIS Translated Text] Under a decree by Ukraine's president, the chairman of the Lvov Region council, Mykola Horyn, has been appointed chairman of the Lvov Region state administration.

Under a decree by Ukraine's President Leonid Kuchma, the chairman of the Kharkov Region council, Oleksandr Maselskyy, has been appointed chairman of the Kharkov Region state administration.

Under a decree by the president, the chairman of the Poltava Region council, Mykola Zaludyak, has been appointed chairman of the Poltava Region state administration.

Under a decree by Ukraine's President Leonid Kuchma on 8 July, Yuriy Vandin has been appointed first deputy minister of internal affairs of Ukraine and chief of the main directorate for combating organized crime.

National Affairs

Marchuk Congratulates Kuchma on First Year in Office

LD1007201295 Kiev UT-1 Television Network in Ukrainian 1800 GMT 10 Jul 95

[No video available]

[FBIS Translated Text] It is exactly a year since the second round of voting for the post of president was held in our state. It ended with the election of Leonid Danylovych Kuchma as head of state. Ukraine's Prime Minister Yevhen Marchuk today addressed a letter to Ukrainian President Leonid Kuchma:

Esteemed Leonid Danylovych. On 10 July 1994 our people elected you as the president of Ukraine. In historical terms one year is too brief a time for the introduction of major changes in a state. However, in this short time the steps that were taken to overcome the crisis situation in Ukraine deserve attention. At the president's initiative our state began radical economic reforms and, despite the difficulties, it is steadfastly following this policy.

Such a consistent policy, which is already bearing economic fruits, has found support among the Ukrainian people. It has been positively accepted by the leading states of the world and international organizations and manifested itself by their concrete actions. Foreign credits, investments, and financial assistance have flowed into Ukraine. This will help us to resolve our most painful economic and social problems and, first and foremost, to use our own potential for the revival of the country's economic might.

Over the last year Ukraine has achieved a real breakthrough in the international arena and has become an authoritative member of the European and world communities. Owing to the president's persistence, a significant event was the achievement of an agreement between the legislative and executive branches of power.

This is the guarantor for the continuing strengthening of social accord in our society.

All this provides Ukraine with a good chance to overcome the crisis, stabilize the situation, and improve in the near future the living conditions for our people.

I welcome you on behalf of the government on the anniversary of your election to this high state post and wish you, esteemed Leonid Danylovych, health and success in conducting your policy of reforms. You may be sure that this will form the basis for the activity of the Cabinet of Ministers of Ukraine appointed by yourself.

This was a letter from Prime Minister of Ukraine Yevhen Marchuk to the president of Ukraine.

Former President Criticizes Kuchma's Performance

LD0707135295 Kiev UNIAN in Ukrainian
0810 GMT 7 Jul 95

[FBIS Translated Text] Kiev — The first anniversary of Ukrainian President Leonid Kuchma's inauguration is on 10 July. UNIAN correspondents asked politicians and public figures to appraise Leonid Kuchma's performance after one year in the presidency.

Any frills aside, the assessment of presidential activity on its achievements alone is this: One can state that the past year has yielded no real result, said former president Leonid Kravchuk. Although Ukraine has so far managed to maintain its international image, in his words, "in that period its internal situation considerably deteriorated, the welfare of its population declined, its dependence upon Russia increased, its debts rose, and there is no progress in production." Leonid Kravchuk pointed out that his successor's policies are not quite consistent: "There is a substantial difference between his October report and his speech in Uzhgorod, which amounts to a change of policy."

The former president continued that there were many incompatible decisions in the past year, which contributed to the worsening of disrespect for laws and lawfulness.

"My impression is that corporate interests are now above those of the state. It appears that the president is constantly under pressure from somebody. There is a want of greater power, which, however, is a course toward totalitarianism."

Socialists Call for Campaign To Impeach Kuchma

LD1007193995 Moscow INTERFAX in English
1753 GMT 10 Jul 95

[FBIS Transcribed Text] Kiev, July 10 (Interfax-Ukraine) — Socialists in Kiev have called on "all working people and conscious citizens" to launch a campaign for cancelling by law the institution of presidency in Ukraine and for impeaching President Leonid Kuchma, says the statement sent to "IF-U" [INTERFAX-UKRAINE] today by the secretariat of the Kiev city committee of the Ukrainian Socialist party, following the first anniversary of Kuchma's term in office as the President of Ukraine.

The statement discloses that "the Ukrainian people made a tragic mistake by entrusting a year ago their destiny to the man who went back on his election pledges, plunged the country into poverty but succeeded in making Ukraine a police state".

"Acting in gross violation of the Constitution, having intimidated and tamed the Verkhovna Rada, by removing the Soviet power and establishing his personal dictatorship, Kuchma is unswervingly doing the will of the world capital — a true master of Ukraine", — the statement reads.

The socialists believe that their program for overcoming the social and economic crisis in the country will "help Ukraine to get out of the deadlock into which Kuchma led it".

New Interior Minister Views Tasks, Appointment

WS1007124595 Kiev KIYEVSKIYE VEDOMOSTI
in Russian 6 Jul 95 p 9

[Interview with Interior Minister Yuriy Kravchenko by Oleksandr Ilchenko and Oleksandr Korchynskyy on 4 July; place not given: "Yuriy Kravchenko: 'The Law Is My Bible'"]

[FBIS Translated Excerpt] [KIYEVSKIYE VEDOMOSTI] **Yuriy Fedorovych, could you have predicted that your work in the office of Customs Committee chairman would be so brief?**

[Kravchenko] The current times are so dynamic that it is utopian to count on a long-term career in any office. The socioeconomic changes evidently require injections in form of personnel reshuffles. I think that during a period like the current one, this is the rule rather than the exception. [passage omitted]

[KIYEVSKIYE VEDOMOSTI] **What have you set to be your primary task in the new office?**

[Kravchenko] My primary task is to adjust the law enforcement system as much as possible to the objectives the president has set in the area of economic transformations, proceeding from the course toward delegating powers to the regions and simultaneously increasing their responsibilities. The center will not resolve everything alone.

I think that the Interior Ministry, as well as other ministries, will long face the task of changing our legislation, since many issues are either regulated vaguely, or not regulated at all. [passage omitted]

[KIYEVSKIYE VEDOMOSTI] **Rumors about your return to the Interior Ministry had been making the rounds for a long time.... Can you reveal how everything proceeded, and who offered you the ministerial office — the president of prime minister — and when?**

[Kravchenko] Everything proceeded quite prosaically: A number of candidates for ministers were invited by [Prime Minister] Yevhen Kyrylovych Marchuk a few days ago.... As for the rumors, I also heard them. I am not deaf and dumb. To be honest, however, I did not really believe them.

[KIYEVSKIYE VEDOMOSTI] **Let us continue with rumors. There is talk that you are a man of the president rather than the prime minister. Do you accept this opinion?**

[Kravchenko] In my opinion, I am adhering to the policy of both the president and prime minister. Since this is one principle, it is inseparable. And if somebody wants to divide something, this is gossip and nothing more. [passage omitted]

I once said that the law is my bible. Therefore, I try to act within the limits of this bible. [passage omitted]

Moroz: Reinstatement of Prosector Illegimate

LD1007111395 Kiev UNIAN in Ukrainian
0930 GMT 10 Jul 95

[FBIS Translated Text] Kiev [no date as received] — Approving the decision to dismiss Ukraine's Prosecutor General Vladyslav Datsyuk, the Supreme Council of Ukraine was acting within the legal framework, Ukraine's Parliament Chairman Oleksandr Moroz told journalists. He said that "the president's edict goes beyond the bounds of the constitutional agreement." Moroz said the Supreme Council of Ukraine, as the only interpreter of laws and enforceable enactments, would assess the edict.

Moroz remarked that discrepancies between the articles of the law on state power produced the first negative results. In particular, the articles dealing with the appointment and dismissal of Ukraine's prosecutor general are interpreted by lawyers in different ways. "Taking into account the temporary nature of the constitutional agreement, we should avoid situations that can give rise to such discrepancies," Moroz said.

'Observers' Discuss Prospects for New Cabinet

WS1007112095 Kiev INTELNEWS in English
0133 GMT 10 Jul 95

["Special to INTELNEWS" by Andriy Chyrva]

[FBIS Transcribed Text] Although Ukraine once again has a government after a break of several months, almost all observers are expecting no revolutionary transformations to occur under the leadership of the new team.

Trade Union Federation Chairman Oleksandr Stoyan said, analyzing the new Cabinet of Ministers, that "reshuffling the old deck will not produce any essential effect on the activity of executive power structures." His colleague, National Confederation of Trade Unions presidium Chairman Fedir Sudnitsyn, was more categorical, saying: "In the process of government formation, anti-reform tendencies were demonstrated."

Sudnitsyn and others point to the doubtful fate of Viktor Pynzenyk as evidence of this anti-reform bent. Although President Leonid Kuchma said Saturday that he "in no way wants to get rid of Pynzenyk as a member of the government" and announced his appointment as deputy prime minister for economic reform, Pynzenyk himself has yet to say whether he will accept the new job.

Should he in fact accept Kuchma's offer, the fact remains that the new post would constitute a demotion from his former title — that of first deputy prime minister — and quite possibly a figurehead position divorced from any real power or responsibility.

The ministers with real power over the economy were named by the president last week. Roman Shpek will now be deputy prime minister for economics, Petro Hermanchuk the finance minister and Vasyl Hureyev economics minister — leaving Pynzenyk, who both at home and abroad stands as a symbol of "economic reform," whatever that means exactly, to do what?

According to the president, Pynzenyk must be engaged in a single cause — economic reforms — and not scatter his attention "on miners, metallurgy and other problems." As Kuchma said, "he should be a person with a free brain." Given that miners and metallurgy are among the specific components of the economy most in need of reform, the extent of the practical impact of the Pynzenyk appointment remains to be seen.

There are concerns other than economics that were brought to the fore by last week's round of appointments. Parliament Defense and National Security Committee Chairman Volodymyr Mukhyn's immediate reaction to the Kuchma announcement was to criticize the president for weakness in his selection of so-called "power ministers" such as the defense and internal affairs ministers as well as the security chief.

This is so, according to Mukhyn, because "Kuchma did not fix the appropriate appointments in the government with the respective Parliament committees."

Although the constitutional agreement approved in June gives the president the power to appoint government officials without parliamentary approval, Kuchma is apparently moving to distance himself from responsibility for these appointments.

Late last week, the president made it clear that all the new appointments were made in close cooperation with Prime Minister Yevhen Marchuk and said he is "not satisfied with many decisions made recently, including personnel ones."

Critics of the president, especially leftist critics, are not buying into this line of reasoning.

"The government, having full powers and being completely under the wing of president, will do nothing now as well, keeping on the course of their predecessors," said Parliament Deputy Natalia Vytrenko, economic advisor to the Socialist Party.

More objective observers are somewhat more optimistic, pointing to Marchuk's repeated promises that the government will assume complete responsibility for its actions. The team has consented to play and hopes to win, the centrist argument goes, and society should give to the leadership the right to select players.

"It is the president's business," former Prime Minister Vitaliy Masol said dispassionately. "He has to work with these people. He has decided, so let it be so. What will it result in? Let us see what we will see."

'Scrutiny' Awaiting New Cabinet Previewed

WS1007104095 Kiev INTELNEWS in English 0133 GMT 10 Jul 95

["Special to INTELNEWS" by Fedir Sarozhenko and Oksana Hasiuk]

[FBIS Transcribed Text] Kiev, July 9 — President Leonid Kuchma's new Cabinet of Ministers appointees may face their first parliamentary scrutiny next week.

Deputy Parliament Speaker Oleh Dyomen said over the weekend that the legislature may hold a "government day" Wednesday. This would be the first in the series of monthly government days promised by Kuchma during last month's vote in favor of a constitutial agreement which gave him the right to appoint government officials without parliamentary consent.

Newly appointed Deputy Prime Minister for National Security and Extraordinary Situations Vasyl Durdynets told INTELNEWS recently that Prime Minister Yevhen Marchuk will submit to Parliament a program outlining the direction of the new government activity next week.

According to Durdynets, the program will outline the Cabinet's practical plan of action to speed up economic reforms.

But work on the government's program is not finished yet and may be submitted to Parliament in September. "The cabinet's program of economic course correction is not a one-day business," said Oleksandr Fedritskiy, an adviser to Marchuk.

Meanwhile, many politicians and political analysts are speculating about the meaning of Kuchma's statements during a trip to the Transcarpathian region last week, in which he indicated the need for a possible "correction" to Ukraine's economic course.

The president, responding to this speculation, said Saturday that Ukraine will never step away from economic reform, but "will support on the state level export branches of industry and domestic producers."

At the same time, Kuchma said, "we will not support at all those enterprises which are unnecessary for our economy today."

The Cabinet's program may possibly be formed on these presidential theses and first of all will be directed toward the reconstruction of the Ukrainian economy.

"The staff of the new government is declared right now and it will be facing work on the Cabinet's program," Fedritskiy said.

Officials from the Cabinet press service confirmed that an outline of the government's short-term program may be presented in Parliament next week, but a more detailed program will be submitted not earlier than in September.

Many members of Parliament, however, want to see the government's plan of action presented to them in the coming week.

Their wishes may contradict those of the women in Parliament. The Women's Issues Subcommittee of Parliament's Human Rights Committee decided last week to hold a parliamentary session Wednesday — the same day as government day — to determine Ukraine's level of execution of the United Nations Convention on liquidation of all forms of discrimination against women.

According to Nina Karpachova, the subcommittee chair, Council of Europe deputies, UN Organization experts, Human Rights Center personnel in Geneva and representatives of the Russian Duma's Women of Russia faction were invited to participate in the Wednesday session.

But deputies can unite government's day with women's day in Parliament, because, according to Karpachova, "women want to see Ukrainian ministers in Parliament to question them about what they are doing to solve women's problems."

Crimean Speaker Delays Visit to Kiev

LD1107101795 Kiev Radio Ukraine World Service in Ukrainian 0700 GMT 11 Jul 95

[FBIS Translated Text] Crimean Parliament Speaker Yevhen Suprunyuk has postponed his visit to Kiev, scheduled for today. Suprunyuk told correspondents in Simferopol yesterday that the delay has been caused by parliament's ballot on deputy speaker nominations, in which the proposed candidates failed to get the required number of votes. Suprunyuk said he has made a provisional agreement with the Ukrainian president and Supreme Council chairman that his visit will take place after the new Crimean parliament Presidium is formed.

According to the Crimean speaker, during his visit to Kiev he planned to discuss the Ukrainian law on the delimitation of powers between Crimea and Ukraine, and the Ukrainian president's edict on the Crimean Government.

Republicans Lament Lack of Moves on Economy

LD0707181395 Kiev Radio Ukraine World Service in Ukrainian 1600 GMT 7 Jul 95

[FBIS Translated Text] The Ukrainian Republican Party is concerned at the fact that there have been no radical changes in the composition of the Cabinet of Ministers. Therefore, the party does not expect any resolute moves in the economy on the part of the new government and hence a speedy improvement in the living standards of the population. This was said at a session of the leadership of the Ukrainian Republican Party in Kiev.

The Ukrainian Republican Party has nothing to do with the formation of the new government; therefore, it will continue to be in opposition to all the three branches of power. However, the party will support all the government's actions aimed at strengthening Ukraine's statehood, consolidating the nation, and carrying out market reforms.

Official Says Army Undermanned by 20 Percent

LD1007194895 Moscow INTERFAX in English 1742 GMT 10 Jul 95

[FBIS Transcribed Text] Kiev, July 10 (Interfax - Ukraine) — According to preliminary figures on the Spring-95 draft in Ukraine "the most audacious prognosis has been outdone," Chief of the Ukrainian General Staff Main Organization-and-Mobilization Department Valeriy Venger told a briefing in Kiev today.

Venger reports that when taking into account the new conscripts the Ukrainian army is nonetheless undermanned by 20 percent.

Venger said the size of the Ukrainian Armed Forces would be 450,000 people by the end of the year and 350,000 people in two or three years due to planned reductions.

Economic Issues

Effects of Exchange Rate Policy Reviewed

WS1007144695 Kiev HOLOS UKRAYINY in Ukrainian 1 Jul 95 p 3

[Report by Serhiy Rozhkov: "Some Recollections About the Ruble Zone"]

[FBIS Translated Text] **On 1 July it will be three years since the National Bank of Ukraine [NBU] put the coupon — the de-facto Ukrainian currency — in circulation. The Ukrainian currency was born as a result of a six-month pregnancy [ukrayinska valyuta narodylasya shestymisyachnoyu] and remained unchanged until 12 November 1992. Its emergence was a "mechanical" response to Russia's introducing a new procedure for settling accounts with "CIS states" on 1 July 1992: Purchasing goods in Russia for rubles [R] was restricted to sums obtained from exporting national goods to Russia. In other words, the ruble status was changed; in fact, the ruble became a Russian monetary unit. At the same time, the Russian Government relieved itself from the responsibility for the debts amassed by Russian state enterprises, many of which went bankrupt as a result of a tough monetary policy pursued by the Russian Government.**

As a result, debts of Russian enterprises — in late 1992 — for Ukrainian goods exceeded R350 billion, or $1 billion based on the Russian Central Bank exchange rate. Therefore, against the background of the rapid inflation amounting to over 200 percent annually, Ukrainian enterprises granted credits to the Russian economy. This led to the increase in the devaluation potential of the Ukrainian currency, which has not yet become a "single legal means of payment in Ukraine." The completion of the "incubation" process of transforming the coupon into the Ukrainian karbovanets [K] was marked by a regular devaluation of the "coupon-karbovanets" (from the K403:$1 to K647:$1 exchange rate) between 12 and 19 November. Russia's measures fully corresponded with the rule according to which one should obtain credits only in a currency whose exchange rate is expected to go down. As regards the coupon, its devaluation was inevitable.

One was unable to avoid the further devaluation of the karbovanets. It is known that the primary stimulus for quick inflation and devaluation is the acceleration of the increase in the monetary mass. This principle is proved by the experience of quite a few countries, so Ukraine is not an exception in this respect. The official exchange rate of the karbovanets to that of the dollar went down 1,158 times (K125:$1 to K145,100:$1) between 2 July 1992 and 9 June 1995; at the same time, the amount of the karbovantsi cash in circulation also decreased 1,158-fold.

When the national monetary unit — the Ukrainian karbovanets — was introduced, the exchange rate of the cash dollar considerably exceeded its stock exchange rate, which in turn was higher than the official rate. In late March 1993 (after the Cabinet of Ministers's resolutions on currency regulation became effective), all three rates approached one another in value and — after the karbovanets was subject to its regular devaluation — settled down at K3,000:$1 rate.

Credits issued to the agricultural sector of the economy in June 1993 triggered the lowering of the stock exchange (official) rate of the karbovanets [as published]. On 12 August 1993, the official exchange rate of the karbovanets was set at K5,970:$1, while the stock exchange rate of the dollar went up to K31,000:$1, with an average monthly rate of 82 percent (128,500 percent annually!), until the Ukrainian Currency Stock Exchange [UMBV] suspended its activities on 4 November 1993. The NBU began to hold its currency auctions after December 1993.

After the karbovanets was devalued twice in November and December 1993, its — official — K12,610:$1 exchange rate was preserved until 15 May 1994. The exchange rate of the karbovanets to that of the dollar went up to K19,500, with an average monthly increase of 26.6 percent between 16 May and 2 July; and since 13 August to 22 October — to K43,000, with an average monthly increase of 36.6 percent. Between late August and early December 1994, the karbovanets exchange rate at NBU auctions (as well as its stock exchange rate) accounted for a 38-percent increase monthly. The increase in the exchange rate of the cash dollar stood at 39-48.5 percent monthly between August and December 1994. In December 1994, the stock exchange rate of the cash dollar stood at K110,000:$1 and the dollar exchange rate was about $1:135,000. [as published]

Since 31 October 1994, the official exchange rate of the karbovanets to that of the U. S. dollar again began to increase in value after the UMBV auction was held. However, a return to the rate existing in the spring of 1993 did not take place. After a short "unification of exchange rates" at the K80,000:$1 rate (not without the support from the NBU resolution) was carried out, the rate of the cash dollar began to quickly go up and — before 14 November 1994 — exceeded the official (stock exchange) rate 1.6- fold.

The increase in the dollar exchange rate in August-November 1994 at the rate of 38-48 percent monthly showed that the state of the Ukrainian economy was close to hyperinflation (the inflation rate began to noticeably increase in September). Therefore, the relative stability of the exchange rate of the karbovanets to that of the dollar that occurred in December 1994 and a relatively slow drop in the exchange rate of the karbovanets in January-June 1995 (at the 5 percent rate monthly) implied neither "the stabilization of the exchange rate " nor the "strengthening" of the karbovanets. This "stabilization" was of an artificial nature, which first of all was proved by the preserved system of "two exchange rates of the karbovanets": a high (official) and a low (market) ones. The curbing of devaluation processes was implemented through various "noneconomic" methods, particularly through the delays in paying wages to workers and employees of virtually all sectors of the economy.

The K0.2-million, K0.5-million, and K1-million banknotes show the size and phases of the devaluation of the karbovanets. The introduction of higher-value banknotes in 1992-94 forecasted each time a considerable (often in a hop skip and jump fashion) drop in the karbovanets rate. This also implies that there is no economic foundation for implementing the monetary reform.

Parliament Approves 'Trends' for Budgetary Policy

LD0707202295 Moscow INTERFAX in English 1804 GMT 7 Jul 95

["INTERFAX-UKRAINE" news item]

[FBIS Transcribed Text] Kiev, July 7 (Interfax - Ukraine) — Ukraine's Verkhovna Rada has approved on the whole the resolution "On the main trends of the budgetary policy for 1996" (the budgetary resolution) at the Friday meeting.

According to the resolution, the main trends of the budgetary policy for 1996 are the enhancement of the social orientation of the budget, insurance of effective use of the budgetary funds, creation of conditions for a macroeconomic stabilization, scaling down of inflationary processes, a search for additional budgetary receipts.

The resolution provides for the redistribution of not more than 47 per cent of GDP through the receipts of the consolidated budget of Ukraine.

It is planned to cut the total amount of the budget deficit down to six per cent of the GDP. It is to be achieved through non- emission methods of funding, reduction of spendings on subsidies, including into the budgets of all non- budget funds, financial resources without changing their purpose including those of local councils of all levels.

The resolution provides for improving the financial state of enterprises by preserving the income taxation privileges, continuing the transfer of public service facilities to the local bodies of administration to become the latter's property. It is also planned to finalize before September 1, 1995 the concept of taxation policy containing the maximum acceptable rates of the taxes imposed on enterprises.

With the aim of enlarging the budgetary revenue sources starting from January 1, 1996, it is planned to draft amendments to the legislation providing for a cancellation privileges in the payment of customs duties for all legal entities and private persons in importing from abroad all goods, raw materials, equipment, except those used for production needs.

The budgetary receipts are also to be increased through an increase in the list of goods liable to excises and designed for only well-to-do population sections and through the introduction of paid licencing for the production and sales of liqueurs and tobaccos.

The outlays of the budget will be formed with an eye to the fact that at least 35 per cent of the total amount of the budgetary outlay are allocated for the social protection of the population and maintenance of social and cultural institutions. At the same time, one should proceed in drafting the budget from the minimum labor pension being not less than the scanty-means boundary.

The spendings on defence and maintenance of government bodies are planned to be not more than five per cent, so that these volumes might not exceed the 1995 outlays with respect to the total expenses of the consolidated budget this year.

The budget resolution provides for a stage-by-stage compensation for Ukraine's citizens of the losses from the depreciation of money deposits in the Ukrainian Savings Bank institutions as well as the former USSR securities.

226 out of 331 deputies present in the audience voted for the resolution with 22 against.

Emergence, Challenges of Middle Class Viewed

WS1007135895 Kiev INTELNEWS in English
1957 GMT 9 Jul 95

[Report by Natalia Olynec: "A Class Between the Haves and Have Nots" — from the "Economic Review" feature]

[FBIS Transcribed Text] A new Ukrainian middle class is slowly emerging between the masses of poor and the upper crust. Its members shop around for the best prices and quality, try to save money, own property — and are the target of foreign consumer goods distributors.

But Ukraine's communist history produced some specific differences between eastern and western middle classes, making identification of these Ukrainian consumers difficult. Further privatization of Ukraine's industries and the advent of mortgages will likely better define the middle class.

"It's a curious situation of a crisis country with booming residential construction and increasing car purchases," said Dmytriy Levin, commercial director of SC Johnson Kiev, a home products manufacturer.

To increase sales, marketing directors must look beyond the top 2 percent of the flashy, post-communist elite. The goal is to sell enough products at a reasonable price to create a durable consumer base out of the developing middle-class, Levin said.

The economy and social structure are expected to change quickly in the next few years as privatization and economic reform take root. Western firms expect the demand for consumer products to increase as a new middle class develops and demands higher quality products. "We think Ukraine is where Poland was in 1990," Levin said. Poland began its economic reincarnation earlier than Ukraine.

PURCHASING POWER SHORTAGE

Ukraine is still a target for importers of cheap, low-quality goods often from Turkey and China because there are no alternatives and incomes are low. One in three products sold in stores do not adhere to state quality regulations, said Vladislav Yermakov, chairman of the State Consumers Rights Committee.

And luxury goods don't sell in large volumes.

Ukrainians "don't have enough money to buy Cartier watches or Mont Blanc pens but they can afford the necessities," Levin said.

The challenge for companies trying to hook the middle class is to make prices as low as possible to promote brand loyalty. Only about 10 to 12 percent of the population earns more than KBV [karbovantsi] 12 million per month. Price consideration often outweighs brand selection when Ukrainians decide on products. About 70 percent said they pay no attention to brand names, according to Perekhid Media Enterprise's Omnibus report.

The key to low prices and the establishment of brand loyalty is often local production. Farsighted firms such as PepsiCo, Coca-Cola, tampon company Tambrands, Philip Morris, RJR Reynolds and packaging company Tetra Laval invested in local packaging and manufacturing to avoid high taxes on imports. Many food and drink manufacturers are creating initial core-brand loyalty by producing trial-size packages, such as Coca-Cola's 25 ml returnable beverage bottle.

A network of retail outlets and distribution centers is still undeveloped. About 60 percent of Ukrainians buy consumer goods in open air markets; 75 percent buy goods at state stores. That often makes putting potential purchasers in touch with products a difficult task.

Major corporations that have capital to invest in local infrastructure are already seeing an increase in sales of low-priced consumer goods. Tambrands' sales to the CIS rose by 65 percent in the last six months, with Ukrainian sales equaling one-third of the total. Colgate-Pamolive increased monthly sales to Ukraine from $20,000 to $150,000, according to company officials.

NEW BEGINNINGS

The development of a middle class is seen by Ukrainian leaders as an indicator of a healthy market economy. Prime Minister Yevhen Marchuk said Ukraine needs to form a middle class to maintain stability.

"All the reformatory ideas will remain just good intentions and will never become steps towards practical reform unless we have a middle class — the backbone of any society," Marchuk told economists at an international conference earlier this year.

Historically, Ukraine never had a real middle class. The endless layers of government and white-collar communist bureaucrats lacked essential characteristics. They had little purchasing power in the centrally planned economy and they did not own property. The one- party system left a vacuum where the western middle class forms lobby groups to protect their interests.

Ukraine now has many prerequisites for a middle class to emerge: a high rate of literacy and education, large cities, a relatively stable democracy and the beginnings of economic reform.

No real middle class yet exists in Ukraine but several trends are leading to its formation, said Julia Semenko, Perekhid Media Enterprises Ltd. Market Research Sales Manager.

"There are groups of the population that qualify because of their jobs and education, but that's all," Semenko said. "No group in Ukraine corresponds according to their income or housing because in a civilized country a person with a high education has a corresponding salary and job. We have a strong and strict polarization."

A late start on economic reforms leaves Ukraine with one of the smallest middle classes in Eastern and Central Europe. Almost 60 percent of the population said its financial situation is either bad or very bad and only half the population said they can only make ends meet, according to the June SOCIS-Gallup poll. About 30 percent of Ukrainians rely on a dacha plot for food, according to the poll.

Although only about 15 percent of Ukrainians are in a position to save money, experience in other Eastern European countries indicates the large gap between the rich and poor will narrow with economic reform. A majority of people in the Czech Republic, a country more advanced in economic reform, are considered part of the middle class.

PIN THE TAIL ON THE MIDDLE CLASS

Although class structure is relatively easy to define in the West with indicators such as education, income levels, and occupation, the middle class in Ukraine is still elusive. Reliable western indicators such as education, occupation and values often do not apply to studies aiming to identify the typical Ukrainian consumer.

Many communist-era white-collar workers, such as civil servants, teachers and writers saw their standard of living and status drop dramatically since independence. A middle-level civil servant in the Cabinet of Ministers makes about $40 per month. New middle- class occupations are often in the private sector: trade, specialized services, restaurant and shop owners and construction.

The new middle class is often less educated because their chosen profession required more common sense and quick thinking than formal training, Semenko said.

The new Ukrainian middle class has a combined system of values that are similar to its western counterpart that longs for the "American dream" of a house, car, and a college education for their children. "They value such things as stability, family and a good future for their children," Semenko said.

The Ukrainian middle class lacks clear political views and a trust in the government. About two-thirds of Ukrainians do not belong to a political party, according to the SOCIS-Gallup poll.

Aleksandr, 35, is a journalist at a popular Kiev newspaper who claims to represent Ukraine's emerging middle class. He said he makes up to $500 and a month from several sources of income. His official source is the newspaper salary of KBV 10 million (more than $60). Otherwise he moonlights at other private companies.

He is able to buy most of what he wants for work and his personal needs. He does not credit the government or its reforms for his economic status. He said he does not think the government will make his life better any time soon.

"I wish the government would not bother me as I try to make my life better myself," he said.

Aleksandr said he believes the government is corrupt and this is the main cause of Ukraine's hard times. Especially in taxes. If he faithfully paid them they would put a serious dent in his earnings, he said.

Ukrainians have substantially more trust in the church and armed forces than in their government, according to SOCIS-Gallup. Many said they feel abandoned by the government. About 60 percent said they can only rely on themselves for prosperity, while close to 15 percent said they can rely on no one.

But official figures may be deceiving. The developing shadow economy brought many people a higher disposable income. Ukrainians will also raise their worth in the next few years through privatization of homes, dachas or company shares. Turning these assets into cash is still difficult, however, without available credit and a mortgage system.

MARKET RESEARCH TAKES OFF

Advanced market research is only just beginning and pinpointing the middle class as a demographic group is a challenge.

The two leading market research firms in Ukraine are SOCIS-Gallup and Perekhid Media Enterprises (PME), the commercial representative of the Ukrainian Agency of Marketing Research.

Many consumer goods companies conduct in-house spot research and consumer polling. The demand for comprehensive research will increase as the middle class grows, Semenko said.

The increasing demand for market research is a good indicator of company interest in Ukraine.

"Producers need precise market research to know the correspondence between the demand for the good and price requirements made by the majority of the population," Semenko said.

The peculiarities of post-soviet Ukraine make market research difficult. Firms cannot rely on official data and criteria for social groups. Telephone interviews are useless since only 25 percent of the population has a telephone, according to the State Property Fund.

PME released last week its Omnibus consumer research report based on 4,375 interviews conducted in May and June and covering 12 Ukrainian regions. The report posed questions about food, cigarettes, appliances, cars, cosmetics and mass media. Its purpose is to help companies build consumer profiles and marketing campaigns.

"This information is invaluable in terms of marketing planning — setting the optimum price, evaluating the distribution network and adapting the product to the specific needs of the market," said Natalia Bykova, PME marketing and public relations manager.

Clients can also order customized research concerning specific products in nationwide surveys, focus group interviews or telemarketing. PME also provides media monitoring services to estimate the scope of competition and rival advertising strategies.

These steps should make cornering the middle class easier. As foreign companies get to know their potential consumers, sales are bound to increase.

Aleksandr said he has been able to buy almost everything he needs, including a new IBM computer, fax machine and other electronic items. And in the future he said he expects to move with his wife into a large apartment in downtown Kiev.

Fifty years ago in the United States, the good life included moving to the suburbs, owning two cars and saving for the 2.5 children to attend college. Most Americans are still hoping for their personal American Dream.

Until Ukraine reforms its economy and allows the middle class to prosper, the Ukrainian Dream for many will continue sleeping.

Officials on Defense Funding, Levels of Preparedness

WS1007121495 Kiev INTELNEWS in English 1957 GMT 9 Jul 95

[Report from the "Economic Review" feature by Olha Vaulina: "Ukraine's Low Budget Army"]

[FBIS Transcribed Text] The difficulty Ukraine's armed forces face in meeting expected performance levels and the funding it gets to perform is shown in the numbers.

According to General Heorhiy Kuharskiy, Head the Ministry of Defense's Finance and Economics Board, in 1992 the armed forces were assigned only 34 percent of what it needed in critical, minimum funding. In 1994, funding dropped to 28 percent of the minimum and this year it is to bottom out at 16.9 percent. The funding is primarily used for allowances, food and community services. Equipment and armament maintenance get only 5 to 12 percent of the assigned funds.

Still, according to Viktor Petrov, Minister of Machine Building, Military Industrial Complex and Conversion, Ukraine's defense policy is to maintain current levels of preparedness. Modernization of old equipment of the former USSR is one of the military's directions. At the International Armament Exhibition Idex-95 in the United Arab Emirates, Ukraine debuted the T-72 tank, an illustration of upgrading equipment without replacing equipment. The T-84, a 100 percent Ukrainian-made tank, was also exhibited.

The armed forces can partially solve their own financial difficulties through foreign trade. Ukraine possesses considerable production and intellectual potential to make products the world market wants, Petrov said. "The armament market exists and it would be silly to ignore it," he said.

"The realities are that re-equipping the army with new equipment will be quite moderate and the major trend is to maintain and modernize the existing armament, which is becoming the custom for many European states," he said.

Also, "survival tactics" are based on the quality of the troops' training rather than their quantity. That led to the Defense Ministry's proposal to Parliament for cuts in the number of servicemen. By the end of 1995, the number of servicemen could be cut from 455,000 to 60,000. Although the goal of this action is to minimize expenditures for the armed forces, the social protection of the relieved servicemen, including retirement benefits, housing, professional re-training, will still be expensive. The relieved military personnel will be substituted by civil employees.

The health of servicemen in the Ukrainian Army is also a problem. According to Valeriy Shmarov, Defense Minister of Ukraine, the physical condition of the enlisted men is far from perfect. Half of 20,000 men enlisted in the fall of 1994 had weak health. Military physicians working for the enlistment committees encountered numerous diseases in the newcomers.

Nor is the health of the Ukrainian Army so hot.

"For the last three years the assignments for the Ukrainian Army comprised 25 to 30 percent of the necessary funding, which definitely affected its condition," Shmarov said. The current two-month "survival kit" request for the Army is KBV [karbovantsi] 14 trillion.

In strategic terms, rebuilding the armed forces requires a financial injection of KBV141 trillion as a minimum, using 1994 prices as the basis. This is what the Defense Ministry will ask for from Parliament but there is strong doubt it gets what it wants. Until then, soldiers will have to avoid tripping on the Army's shoestring budget.

Oil Cooperation Deal With Tatarstan Detailed

WS1107102095 Kiev UKRINFORM in English 0742 GMT 11 Jul 95

[From the "Business News Weekly" feature No. 27, 2-9 July]

[FBIS Transcribed Text] On June 4 [as received], Ukrainian and Tatarstan officials met in Kiev, where they signed an intergovernmental agreement on establishing a transnational financial-industrial oil company, Ukrtatneft.

The new company was established as a closed joint-stock society. It will operate as an integrated intergovernmental economic complex. Ukrtatneft is based on the Kremenchugnefteorgsintez (a Ukrainian enterprise) and Tatarstan's Tatneft. The new company's headquarters is in Kremenchug, in the Poltava region of Ukraine.

Ukrtatneft's enterprises will be involved in all sorts of activities in the oil industry: from extracting crude oil in Tatarstan to selling finished products manufactured at Ukrainian oil refineries. The company's finished products will be sold on both Ukrainian and Tatar markets.

An agreement signed between Ukraine and Tatarstan in September 1994 provides for delivery of about 8 million tons of Tatar crude oil to Ukraine in 1995 for refining at Ukrainian oil refineries. In the future, the volume of delivery is expected to increase to 16 million tons per year.

However, the delay in reaching a formal agreement on the company's founding documents will affect 1995 deliveries. Georgi Priymachuk, the deputy director of the Ukrainian State Committee for the Oil and Gas Industry (Goskomneftegazprom), says not more than 3-4 million tons of Tatar crude oil will be delivered to the Kremenchug oil refinery in the remaining six months of this year, even though the Kremenchug oil refinery (Kremenchugnefteorgsintez's base enterprise) is capable of refining a greater volume of crude oil during that period.

The idea of establishing the Ukrtatneft transnational company was first discussed in 1993. It was established in accordance with decrees signed by the presidents of Ukraine (on November 29, 1994) and the Republic of Tatarstan (on December 13, 1994). The two decrees contained articles stipulating that Ukrtatneft be established not later than January 1995. A framework agreement on the company's creation was signed on September 22, 1994. The Russian-Ukrainian Oil Company (RUNO), a transnational company similar to Ukrtatneft, was established on the basis of the Lisichansk oil refinery. However, its formal registration has yet to be completed.

Ukrtatneft's Authorized Fund

Ukrtatneft has authorized funds worth $900 million. This is equivalent to 117,900,000 karbovanets (at the National Bank of Ukraine's exchange rate on April 5, 1995, when the funds were registered). The funds are divided into 900 thousand ordinary stocks, each of which has a nominal value of $1,000 or 131 million Ukrainian karbovanets. The stocks were distributed among the transnational company's founders in accordance with the agreements signed by the two sides involved.

Ukraine and Tatarstan have equal shares in Ukrtatneft.

Ukrtatneft's Founders and Distribution of Stocks

The agreement on the creation of Ukrtatneft was signed, on the Ukrainian side, by the Ukrainian State Property Fund. The company's Ukrainian co-founders contributed 50 percent of its authorized capital and thus own stocks corresponding to their contribution: 450,000.

The agreement was signed by the Ukrainian State Property Fund on behalf of the company's Ukrainian co-founders since the Ukrainian enterprises which are potential stockholders in the transnational company are either completely state-owned at the moment, or are still undergoing privatization. Some of the enterprises which are still undergoing privatization plan to contribute part of their stocks (which have been handed over to the Ukrainian State Property Fund) to Ukrtatneft's funds.

According to Goskomneftegazprom officials, revaluation of property complexes belonging to those Ukrainian enterprises (which are Ukrtatneft's stockholders), as well as distribution of stocks among them will be completed soon.

The Ukrainian side also plans to transfer part of stocks belonging to the following Ukrainian oil-transporting enterprises and oil refineries to Ukrtatneft:

— the state-owned Trans-Dnieper oil pipeline network;
— the Khersonneftepererabotka joint-stock society (based on the Kherson oil refinery which has a capacity of 7,134,000 tons of crude oil per year);
— the Odessa oil refinery (a joint-stock society with a capacity of 3,917,000 tons per year);
— the Kremenchugnefteorgsintez joint-stock society (formerly known as Kremenchug oil refinery, with a capacity of 18,625,000 tons per year. It is expected contribute 50 percent of Ukraine's stocks in Ukrtatneft. The joint-stock society is Ukrtatneft's base enterprise).

Ukrtatneft's Tatar co-founders are:

— the Tatar State Property Committee (an entity similar to the Ukrainian State Property Fund): 336,500 stocks (or 35.388 percent of Ukrtatneft's authorized funds;
— the Tatneft joint-stock society: 74,000 stocks (8.220 percent);
— the state-owned industrial enterprise, Tatnefteprom: 14,800 stocks (1.650 percent);
— the Tatneftekhiminvestholding joint-stock society: 125 stocks (0.014 percent);
— the Suvar joint-stock society (one of Tatneft's co-founders, it exports crude oil out of Russia): 125 stocks (0.014 percent);
— Joy-Tatnefteprom TP Communications Ltd. (a joint enterprise): 24,325 stocks (2.7 percent);
— TINK joint-stock society: 125 stocks (0.014 percent).

Particulars of Ukrtatneft's Founders

Ukrtatneft is based on the Kremenchugnefteorgsintez joint-stock enterprise (Kremenchug oil refinery). The Tatar side is responsible for supplying crude oil to Ukrainian oil refineries, especially the Kremenchug oil refinery. Ukrtatneft will deliver crude oil to Ukraine on consignment basis: crude oil will be delivered to Ukraine without payment. Ukrainian enterprises will refine the crude oil also without demanding payment. The company's stockholders will receive payment after the sale of the finished petroleum products.

Kremenchug Oil Refinery

The Kremenchug oil refinery was converted into the Kremenchugnefteorgsintez joint-stock society in early-1995. The joint-stock society's assets are estimated at 500 billion karbovanets at the prices prevailing at the beginning of this year. However, since Ukraine has introduced a new method of cost evaluating property complexes, the refinery's assets will most likely be reassessed.

The Kremenchug oil refinery, which is the biggest in Ukraine, was commissioned in 1966. It also has the most modern oil-refining technology in the country. It has a primary oil-refining capacity of 18,625 million tons per year and a maximum capacity of 23.4 million tons per year (38.8 percent of the combined capacity of all Ukrainian oil refineries). Goskomneftegazprom experts say the refinery had a 56 percent oil-refining intensity as of 1994, the highest among Ukraine's six oil refineries, which have an average oil-refining intensity of 54.3 percent. Light-colored petroleum products (all types of petroleum products, except residual fuel oil) make up 42.4 percent of the Kremenchug oil refinery's finished products (the average for Ukrainian oil refineries is 43.5 percent). Equipment for vacuum-processing of crude oil was first installed at the oil refinery in 1966. Two combined hydro-cracking plants were installed in 1972. Each of them had a capacity of 3 million tons of crude oil per year. The plants were also equipped with facilities for atmospheric-vacuum refining of crude oil, as well as facilities for catalytic and thermal cracking.

The thermal cracking facilities were later re-designed for bitumen production, while one of the hydro-cracking facilities was re-designed for primary processing of crude oil. Equipment for secondary processing of crude oil (with a capacity of 6 million tons per year) was installed in 1978. A hydrofining plant was installed in 1970, two plants for catalytic reforming of gasoline in 1969 and 1970, a gas-fractioning plant in 1969, a plant for manufacturing bitumen in 1967, a plant for manufacturing oils in 1974, a plant for manufacturing sulfur in 1977, and a plant for manufacturing dope for gasoline in 1981. In addition, a plant for manufacturing polypropylene (delivered by Italy's STIR) was commissioned this year.

Three joint enterprises — Fobos, Frasmo, and Krebo — have been established, based on Kremenchugnefteorgsintez.

The Kremenchug oil refinery processed 9,027 million tons of crude oil in 1994. Out of the 5,116 million tons of crude oil refined at Ukrainian refineries in the first half of 1995, the Kremenchug oil refinery accounted for 3,232 million tons.

Most of the refinery's 1995 crude oil deliveries came from Tatarstan (2.560 million tons), including 2,311 million tons delivered by Tatarstan as give-and-take raw materials. In the first half of this year, 672,000 tons were delivered from Ukraine's Akhtyrsk oil field.

In 1994, the Kremenchug oil refinery processed more than 200,000 tons of high-sulfur crude oil per month.

With Tatarstan's participation in Ukrtatneft, the Kremenchug oil refinery will be able to work at full capacity and thus earn the funds necessary to complete its modernization in 1997. In addition, the refinery plans to attract investment from Tatarstan to finance its reconstruction projects.

Tatneft Joint-Stock Society

Until recently, Tatneft was one of Russia's oil-extracting companies. It extracts 23-25 million tons of crude oil per year. It extracted 21 million tons in 1994.

In all, about 28 million tons of crude oil are extracted in Tatarstan per year. Tatar crude oil is of the Ural blend which has a high-sulfur content. Only limited amounts of this blend can be exported to non-CIS countries, since most European refineries were not designed to handle high-sulfur crude oil.

A large amount of Tatar crude oil was refined at Ukrainian refineries in the days of the former Soviet Union. Much of it was refined at the Kremenchug oil refinery, which is designed to process high-sulfur crude oil. The Ural blend has a sulfur content as high as 3 percent and higher, as compared with the European standard of 0.5 percent.

In 1994, crude oil extraction was suspended at 5,300 of Tatneft's oil wells due to lack of funds. As a result, the total volume of crude oil extracted in the first quarter of 1994 reduced by 1.8 million tons, as compared with the first quarter of 1993.

Meanwhile, Ukrainian enterprises refined the Ural blend only as give-and-take raw materials.

Negotiations are underway concerning possible transfer of some of Tatneft's oil wells to Ukrtatneft, as part of the Tatar side's contribution. A final agreement on the issue is expected to be reached in August.

Protocol With German Firm for Aircraft Production

WS1007115995 Lvov INFOBANK in English 0940 GMT 10 Jul 95

[From the "News Service" feature]

[FBIS Transcribed Text] Ukraine's minister of foreign economic relations and trade Serhiy Osyka and the head of the German company Daimler-Benz-Aerospace Manfred Bischoff signed a protocol regarding cooperation in the area of airplane construction.

The protocol was signed during a Ukrainian delegation's visit to Germany July 3-6 which was headed by the Ukrainian president. This information was provided to INFOBANK by the head of the President's Administrative Information Service Mykhaylo Doroshenko.

Daimler-Benz-Aerospace is also ready to provide its technology for the destruction of warheads and to take part in joint projects in the area of satellite communications.

Belarus

Cabinet Issues Resolution on Investment Funds

LD0807155495 Minsk Radio Minsk Network in Belarusian 1900 GMT 7 Jul 95

[FBIS Translated Text] The Cabinet of Ministers has issued a resolution confirming the procedure of issuing funds from the Republic's budget to finance state capital investment. In accordance with the procedure, funds from the Republic's budget to finance state capital investment will be issued on a competitive, paid, and returnable basis, as a rule through banks, to investing enterprises that carry out construction in accordance with the list of facilities confirmed by the Cabinet of Ministers of the Republic of Belarus. The Ministry of Finance will draw a credit contract with a bank on obligatory provision by that bank of guarantees of return of received budget funds.

Official on Withdrawal of Russian Strategic Units

LD1007185095 Moscow INTERFAX in English 1649 GMT 10 Jul 95

[From the "Diplomatic Panorama" feature: by diplomatic correspondents Aleksandr Korzun, Igor Porshnev, Yevgeniy Terekhov, and others]

[FBIS Transcribed Text] Minsk, July 10 (Interfax-West) — A senior official of the Belarusian admitted in an Interfax interview that Belarus holds up the withdrawal of the Russian strategic units from the country. [sentence as received]

According to the diplomat, the sole reason for this is the mess the Russian units leave behind.

He recalled that under the bilateral agreements between Russia and Belarus, the areas where nuclear rockets were once stationed are to be taken over by Belarus. He said that until recently there was no procedure of taking over the military installations.

In his words, the Russian units leave behind areas which cannot be used for military or civilian purposes without a thorough clean-up, radiational decontamination and removal of top soil, he explained.

The diplomat emphasized that the ecological problems or the technical details in resolving them should not acquire a political dimension. He explained that the Belarusian leaders have made no political statements on this score.

The diplomat said that the Belarusian authorities issued on July 6 a permit for a Russian strategic unit to leave the country. This confirms, he said, that there is no political dimension to the delays with the withdrawal of Russian troops from Belarus

The diplomat said that the Russian strategic units leave Belarus at a rate much faster than from Ukraine or Kazakhstan. He said he does not why they left in such a hurry remindful of flight while Belarus does not push them out or obstructs them

He recalled that under the existing schedule the withdrawal of Russian strategic forces should be over by the end of 1996.

Bank Chairman Predicts Ruble Rate To Remain Stable

WS1007085995 Minsk Radio Minsk Network in Belarusian 0300 GMT 10 Jul 95

[FBIS Translated Text] In the opinion of the Belarusian National Bank chairman, the exchange rate of the Belarusian ruble against the U.S. dollar will remain stable in the third quarter of this year. According to Chairman Stanislaw Bahdankevich, the National Bank's reserves are quite sufficient. No downturn will occur in the next few months and the exchange rate against the dollar will remain stable. In the opinion of the Republic's chief banker, any unexpected events could occur only if the money supply were to be increased. He believes, however, that neither the government nor the National Bank will make any such move.

Prosecutor Extolls Value of Commercial Evidence Firms

WS1007112395 Minsk BELAPAN in English 1000 GMT 10 Jul 95

[FBIS Transcribed Text] There are several private companies in Belarus which are able to give in several hours complete information about the financial position of partners in deals, about their reputation in the business world, including some details of the private life of their workers. And this information is not very expensive — $200 about companies in European, $300 in the American and Arab regions. This was announced by the Chief of the General Prosecutions Board Mr. Mikhail Snehir declared at the last sitting of the collegium of the Prosecutor's Office. He added that he did not know a single state organization which deals with giving such information. Meanwhile the lack of information about the would-be partner may lead to huge losses, a striking illustration of which is the story of "Belmezhkamservis" that "sold" a thousand tons of yellow phosphorus to a certain Swiss firm and since then has not been succeeding in either returning its goods or receiving money. The contract was made in such a way that now "Belmezhkamservis" will have to prove its rightness at the London court where the state duty alone is up to 50 percent of the contract cost.

Moldova

Ukraine To Join Russia, OSCE in Dniester Efforts

LD0807163795 Moscow ITAR-TASS in English 1620 GMT 8 Jul 95

[By Valeriy Demidetskiy]

[FBIS Transcribed Text] Chisinau July 8 (Itar-Tass) — Ukraine will most likely join Russia and the Organisation for Security and Cooperation in Europe (OSCE) in their efforts to settle the conflict in the Dniester region of Moldova, a Ukrainian diplomat said.

At the same time, Ukrainian charge d'affaires in Moldavia Yevheniy Levitskiy said Ukraine will not be able to deploy peace-keepers in the Dniester region on its own without OSCE permission.

As a neighbouring country, Ukraine may take part in negotiations on a special status for the Dniester region within Moldova and guarantee the implementation of agreements that may be reached at such talks, Levitskiy said.

The announcement followed requests by the Moldovan and Dniester leaders earlier this week in which they asked Ukrainian President Leonid Kuchma to take part in the peace process in the Dniester region.

Levitskiy also disagreed that Ukraine will object to the withdrawal of the former 14th Russian army from the Dniester region, adding that Ukraine is "also concerned about Russian military depots in Kolbasnoye where about 400,000 tonnes of ammunition are stored in direct proximity to the Ukrainian border."

Legislators Pass National Bank, Anticorruption Laws

AU0807192995 Chisinau INFOTAG in English 1732 GMT 7 Jul 95

[FBIS Transcribed Text] Chisinau INFOTAG, 7/7/1995 — The Moldovan Parliament passed the Law on the National Bank and the Law on Financial Institutions at the first reading today.

According to the first document, the chief aim of the National Bank is to provide for price stability. The bank shall set conditions of the monetary, credit, and currency markets, which are supposed to promote constant and balanced development, shall issue licenses and supervise the activities of financial institutions, shall grant credits to banks, and act as a single emission organ of the national currency.

The law determines interrelations of the National Bank with state organs, principles of monetary and currency policies, structure and operation of the bank. The current capital of the Moldovan national Bank has been determined to be 20 million lei, and may be increased by the National Bank's decision and with Parliament's approval.

According to the second law, a financial institution is a juridical person, which accepts deposits from the population, or/and grants loans, and/or makes investment at its own account and at its own risk, and has currency exchange offices. No juridical persons shall have a right to carry out banking operations without the Moldovan national bank's licenses. No juridical persons, except banks, shall have a right to accept personal deposits.

The law determines the order of issuing licenses, setting up banks and running them, requirements to be met with carrying out operations, keeping accounts, making audits and inspections, undertaking sanctions and punishment, and order liquidation of financial institutions.

The Moldovan Parliament today also passed a resolution on setting up a special commission to supervise the implementation of the anti-corruption legislation.

This decision was the deputies' response to the memorandum of the Prosecutor General's Office sent to the Moldovan leadership to attract attention to the growth of corruption and related crimes.

The parliamentary commission, which included representatives from all factions, is authorized to supervise the implementation of anti-corruption legislation in all public governance bodies, including courts, and to work out regulatory enactments aimed at corruption prevention. The commission has a right to form working groups and demand and receive any necessary documents and materials. The commission is supposed to present a report to Parliament on 1 January 1996.

Though the resolution was opposed by only one deputy, several members of parliament stressed that the government and law- enforcement bodies must be more active in fulfilling the already existing anti-corruption laws. Some deputies stated that this commission is being set up for political reasons, and not for real corruption prevention.

National Bank Recognizes Leu as Convertible Currency

AU0707174395 Chisinau INFOTAG in English 1938 GMT 6 Jul 95

[FBIS Transcribed Text] Chisinau, INFOTAG, 6/7/1995 — The Moldovan leu has been recognized as a convertible currency, president of the National Bank of Moldova, Leonid Talmaci, has announced at today's press conference.

Having successfully overcome quite objective difficulties, Moldova has become the 103rd country with a stable currency unit. This signifies that foreign investors will be more willing to come to Moldova, where the national currency is stable and the rate of inflation is low, Talmaci said.

In his words, the European Bank for Reconstruction and Development has reserved $230 million for the republic, including $110 million of bank's own resources. The World Bank has expressed readiness to annually allocate $100 million worth of credits to the republic.

By now, direct foreign investment in the Moldovan economy has exceeded $50 million.

Thank to tough and often unpopular methods of conducting the monetary policy, Moldova managed to suppress inflation. As on the date of the leu introduction (November 29, 1993), the annual rate of inflation in Moldova was more than 2,000 percent. During 1994, the figure was reduced to 110 percent, and in 1995 the rate of inflation will not exceed 10 percent, according to the State Budget.

Mr. Lynge Nielsen, IMF permanent representative in Moldova, has said that Moldova had become the second CIS country, after Kyrgyzstan, to have recognized Article 8 of the IMF Articles of Agreement. In his words, this signifies a progress of Moldovan economic reforms, and said that the leu's convertibility is "a good signal for foreign investors."

He said that out of the $90 million which the IMF had agreed to grant to Moldova in 1995, $20 million has already been provided. Lynge Nielsen has positively appraised the propositions on interaction of monetary and credit systems signed between Chisinau and Tiraspol last Wednesday, having said this was the first step made on the way towards introducing the leu in Dniester. Leonid Talmaci said the leu had long ago penetrated on the left side of the Dniester, and after certain provisions are fulfilled, the unit will be officially circulating there parallel with the coupon.

Dniester shall have to repay debts to Moldova, observe approved budget deficit, and conduct agreed monetary-credit policy, which would correspond to international standards.

Dniester Determined To Preserve Own Currency

AU1007100595 Chisinau BASAPRESS in English 2130 GMT 7 Jul 95

[FBIS Transcribed Text] Tiraspol, BASAPRESS, 7/7/1995 — Dniester Bank Governor Vyacheslav Zagryadski denied Moldovan Bank Governor Leonid Talmaci's statement that the Moldovan leu is to be introduced in Dniester. Zagryadski made public this denial on the Dniester TV yesterday. Zagryadski said according to the agreement on correlation of the Moldovan and Dniester credit-monetary systems signed on July 5 in Tiraspol, Dniester enterprises may open accounts in Moldovan banks to pay for the goods manufactured outside Dniester. Other payments will be made in Dniester coupons exclusively. Legal entities may open only offices for exchange operations between the Moldovan leu and Dniester coupon "Governor Talmaci made his statement for mere political reasons," said Zagryadski, adding the integration between the Moldovan and Dniester exchange, currency and credit systems will preserve the Dniester currency anyway. National Bank Governor Leonid Talmaci told the Parliament today that on July 5 the parallel circulation of the Moldovan leu and Dniester coupon was legalized in Dniester and the National Bank will have to provide the necessary quantity of cash. It was also agreed to make changes in the macroeconomics area, adjust the financial-economic legislation in Dniester to international standards and exchange reports on macroeconomics indices. After the Moldovan leu's introduction in Dniester is completed the foreign loans received by Moldova will be proportionally split between the eastern and western districts, concluded Talmaci.

New Party Established To Support President Snegur

AU1007132095 Chisinau BASAPRESS in English 2115 GMT 8 Jul 95

[FBIS Transcribed Text] Chisinau, BASAPRESS, 8/7/1995 — In the conditions of an over saturated political life, the emergence of a new political formation, called, according to mass-media, "The Party of National Revival" (PRN) has a single goal — the constitution of a formation supporting President Snegur, note representatives of some political parties.

According to Anatol Taran, chairman of the Moldovan Social Democratic Party, "the goal of creating this party is the maintenance of some leaders on the orbit," otherwise PRN would have been constituted before. In his opinion, the fact that, according to the newspaper MOLDOVANUL, some communists, socialists, agrarians and democrats could become members of this party may arouse concerns. "In this case, we cannot see any doctrine; their real purpose is to maintain the present president at power," Taran concluded.

Deputy Valeriu Matei of the Peasants and Intellectuals Block, chairman of the United Democratic Congress (CDU), told BASAPRESS that presently the entire political spectrum of Moldova is covered. "Theoretically, PRN should rely on the doctrine of national revival, but this CDU's doctrine," Matei said, mentioning "the real will of Snegur, Sangheli and Lucinschi is their maintenance at any price at power, that's why their are trying to make up an electorate."

Kazakhstan

Reportage on Scrutiny of Draft Constitution

Russian Leader Offers Criticism

LD1107144495 Moscow INTERFAX in English 1235 GMT 11 Jul 95

[FBIS Transcribed Text] Almaty, July 11 (Interfax) — The head of the Russian community in Kazakhstan, Yuriy Bunakov, is critical about the draft constitution of Kazakhstan which is at the public discussion stage.

In an exclusive interview with Interfax on Tuesday, he said this constitution would lead to "unchecked rule by the president with an absolutely powerless parliament". "Democratic institutions in Kazakhstan would be strangled," he said.

Bunakov believes that the draft constitution "gives priority to only one privileged nationality — the Kazakh," while the rights of all other ethnic groups chiseled away at.

Bunakov said the document had been submitted to the law department of Russia's State Duma "for a qualified expert evaluation." After the results are known, the Russian community will make an official statement on the draft constitution, he added.

Bunakov did not exclude the possibility that the Russian community would call for boycotting the referendum on the constitutional.

Trade Unions Appeal Against Draft

LD1007150895 Almaty Kazakh Television First Program Network in Russian 1100 GMT 10 Jul 95

[FBIS Translated Text] The Council of the Trade Union Federation of Kazakhstan has appealed to the General [Vseobshchuyu] Confederation of Trade Unions with a request to comment on a number of articles in the new draft constitution of Kazakhstan governing the activities of trade unions.

The reply received from the international department of the executive committee of the General Confederation of Trade Unions says that the articles indicated in the draft that prohibit the formation of trade union organizations in state institutions, and order the noninterference of public organizations in the activities of state bodies on the establishment of joint ventures by public organizations and state enterprises, contradict the basic principles of the convention of the International Labor Organization, the ILO.

As for the ban on financing trade union activities by foreign organizations, the reply continues, there is no ban like it anywhere in the world. Moreover, the trade unions are receiving financial aid from international organizations has the ILO, UNESCO, etc. in a fully legal and systematic manner.

In connection with the discussion of the new draft constitution, the Council of Trade Unions of Kazakhstan has sent an appeal to its member-organizations. This document says that, without being a political organization, the Federation of Trade Unions cannot remain indifferent to national politics, especially when it comes to the fate of the fatherland. The member-organizations of the Trade Union Federation are urged to take an active part in the nationwide discussion of the draft. The new constitution must not discriminate against the rights and freedoms of trade unions as recognized by the world community, says the appeal. That is why, during the nationwide discussion of the draft constitution, we call for determined protests against those articles that bear a discriminatory nature as regards trade unions.

State Committee for CIS Cooperation Begins Work

LD1007161495 Moscow ITAR-TASS World Service in Russian 0540 GMT 10 Jul 95

[By ITAR-TASS correspondent Fedor Ignatov]

[FBIS Translated Text] Almaty, 10 Jul — Kazakhstan's State Committee for Cooperation with CIS countries, which has been set up by a decree of the republican Cabinet of Ministers, began work today. The committee will become the central body of executive authority for implementing state policy in relations with the countries of the Commonwealth and the Baltic, Khalyk Abdullayev, its chairman, told ITAR-TASS. Together with the Foreign Ministry we will coordinate the activity of ministries and departments in concluding interstate agreements of various nature, from currency to military and political ones, he remarked. Also, the committee has been empowered to control the implementation of interstate and intergovernment accords and agreements.

The staff of the committee's central apparatus will receive a 35 percent salary increment "to recognize the difficulty of their work linked to specific interstate activity."

Kyrgyzstan

Akayev Urges Simplifying 'Unwieldy' Government

LD0707192995 Bishkek KABAR in Russian 1304 GMT 7 Jul 95

[FBIS Translated Text] At the first ever assembly of Bishkek residents, President Askar Akayev called for the capital's unwieldy government system to be simplified, the bureaucracy to be cut down in size, and power to be handed over to the city's residents. Representatives of workforces, members of the public and the intelligentsia, and entrepreneurs gathered in the Kyrgyz state opera and ballet theater. President Askar Akayev; Prime Minister Apas Dzhumagulov; Mukar Cholponbayev, chairman of the Legislative Assembly of the Supreme Council; Baktiyardzhan Fattahov, deputy chairman of the Assembly of People's Representatives of the Supreme Council; Constitutional Court Chairwoman Ch. Bayekova; and Bishkek Mayor Boris Silayev attended the assembly.

Askar Akayev made a speech to the assembly participants. "The administrative gulf between the authorities and the people which we inherited from the former Soviet system continues to exist," he said. "Until that is eliminated there will be no real democracy.

"For the first time in our history, our city dwellers are to get a chance to manage their affairs independently, without interference or arbitrary action from officialdom, by means of city referendums, assemblies, and meetings."

The president described this assembly as an historic one. He spoke in detail about the work of organizing city government, which will involve a reorganization of executive authority. He called for this executive authority to be made flexible and mobile, and free of all duplication in its services.

Askar Akayev spoke about the new functions and rights of the local government institutions, noting that our legal acts entirely lack the concepts of communal, i.e. municipal property. We have never had any differentiation between state and municipal property.

"Our republic is launching its first ship onto the world ocean of self-government," Akayev said. "It will carry the name 'City of Bishkek, Kyrgyzstan' emblazoned on its side. The captain of the ship, his crew, and the pilot were chosen by the people at the elections. We are sure that this ship will not founder in the boundless ocean of democracy, but will lay a true course which others will follow."

Akayev Addresses Forum on Economic Crime

LD0707221895 Bishkek Kyrgyz Radio First Program Network in Kyrgyz 0900 GMT 6 Jul 95

[Closing Speech by President Askar Akayev at meeting of heads of law enforcement bodies at the Parliament building in Bishkek on 6 July — live]

[FBIS Translated Excerpt] Esteemed members of the government. Esteemed heads of the regional law enforcement organizations.

Today's conference is showing you all that crime in the republic has already become mainly economic in nature. The number of crimes against the state, the number of crimes related to stealing state resources on a particularly large scale is increasing. The curve of economic crimes is moving steadily upward. Whereas 2,898 economic crimes were revealed in 1993 and 3,429 economic crimes in 1994, 2,087 crimes have been revealed just in the first half of 1995.

Now, about the sum total of criminal incomes. What sum do criminal incomes account for? The finance minister has said that the revenues that we have collected so far amount to just 1 billion soms. Yet the total criminal income amounted to 21.5 million soms in 1993, 99 million soms in 1994, and for the five months of 1995 the identified sum has already reached 371 million soms. This is equal to the taxes which we, together, have collected in the five months. Total output was worth 4.2 billion soms. Out of this, as you can see, criminal income came to 371 million soms — and that is only the amount which has been revealed. This data comes from our republic's Interior Ministry.

It is almost nine percent of GDP; today, one in 10 soms goes to the underworld, into certain people's pockets. It should be noted that many economic crimes are committed covertly. I have cited only those figures which have already been documented, as they say. However, according to expert estimations, today only one in five economic crimes is recorded.

I deliberately looked at the statistical data for the CIS countries, at how things stand in the other countries. It is roughly the same. Things are roughly the same in countries where the war on crime, particularly economic crime, is in a bad state.

How much has been restituted? On the basis of data from the prosecutor's office, and everything which Prosecutor General Aslanbek Sharshenaliyev has said here — including thousands, millions, tens of millions of soms — I have calculated that a total of 56 million soms has been restituted in 1995. Of course, this is not just for thefts committed in 1995, but also in previous years. You may compare this, the 56 million restituted soms, with the volume of recorded theft — hundreds of millions of soms, and 371 million soms in the five months of this year alone. It is a meager amount.

Today economic crime exceeds entire sectors of our economy in scale. In particular, it has already exceeded the light and textile industries, which give us 14 percent of products for export; that was the case last year, at least. I don't know whether we will manage to reach this level this year. We probably will not, such is the state of the light and textile industries in the economy today.

And this, the volume of economic crime for 1994 alone, by far exceeds the state's expenditure on maintaining the law enforcement bodies and for defense in 1995 — that is, 2.5 percent of GDP. I have cited a figure which matches all our data, all the data presented by the law enforcement organizations: 3.5 to 4 percent of GDP. We are not far behind Russia, where a figure of 5 percent of GDP has been cited. From 3.5 to 4 percent of GDP lies within criminal structures.

The people are working and producing output, and the criminal structures are misappropriating this — not just any old amount, but 3.5 to 4 percent of GDP.

Dear friends, all of you sitting here, plus the Defense Ministry, receive 2.5 percent of GDP. We have to fight this. We have to fight. The lion's share of the damage is now being incurred in the credit and financial sector, not in the material production sphere as previously.

These major gross economic crimes are being committed under the cover of the state authorities, the state structures and the law enforcement organizations. It is happening under your cover. Such major economic crimes cannot be committed by loners or by groups of economic saboteurs. They take place under the good, organized — perfectly organized — cover of state structures and law enforcement organizations.

Crime in the economy is shifting to a new phase, where the criminal structures are directly merging with the state authority. Let us formulate this clearly and grasp it: It is manifest as mass corruption of the state apparatus; and the other way around — mafia participation in the country's political processes. Via those corrupted circles within the state system, the mafia is now influencing the adoption of decisions at a state level, at the highest level, here on the seventh floor of the White House [government building]. We have been observing this; it was clearly shown to the people during the parliamentary elections held at the beginning of 1995. You saw how the mafia worked.

The criminal sectors of the economy are today very familiar to all of you. They were named here in speeches by our ministers. I would name seven main areas:

First: Crimes against property: this includes the so-called prikhvatization [term meaning privatization as a cover for illegal acquisition of property], theft, and other types of crime against property, which seemed to have declined a little recently, but which represent an area that has again boomed in popularity.

Second: Corruption, crimes involving the use of one's official position to get access to preferential-term credits, and bribery, all of which promote the illegal acquisition and shameless exploitation of state resource.

Third: The illegal export of strategic raw and other materials from Kyrgyzstan — involving theft as a first stage, of course. The clearest and most recent example of this was the export of 4 tonnes of tantalum worth $600,000.

Fourth: The conclusion of all kinds of fictitious agreements and contracts by bogus firms and enterprises. This has been discussed here, too.

Fifth: The concealment of income from taxation, and evasion of customs duty. This could, of course, be eliminated today. Comrade Kirmanbekov spoke about this.

It has been worth making (?an effort). For example, the amount of taxes collected in June immediately showed a 20-point increase. Why can't we all work together, constantly, in order to impose financial discipline — the Government, the Finance Ministry, and the law enforcement organizations, which are supposed to help with this work?

Sixth: Unlicensed trading. I mean wine, vodka, and tobacco products. This, too, has been discussed.

Seventh: Crimes committed within the banking system. This includes the theft of money using false bank documents, fictitious letters of advice, and other such methods.

There is now a very widespread practice where enterprises and other commercial organizations are set up with no intention of carrying out their stated activity, but instead with the aim of getting loans and credits, and as cover for prohibited enterprise activity. More often than not such activities, above all by the heads of enterprises, cause great losses both to the enterprises themselves and to the state as a whole, and also to credit establishments and economic management entities. A number of cases of this type have been cited by State Security Committee Chairman General Bakayev and Finance Minister Nanayev.

Comrade ministers who are present: Enough is enough. We need to get to grips with it. I demand that the Government and the law enforcement organizations assess the activity of all such structures. All of them.

The legal privatization of state property is under way. Why then do all sorts of filial enterprises keep springing up? Of course, to engage in misappropriation and embezzlement. Get to grips with it, get to grips with it.

It is above all the leaders who will have to be made to answer under criminal and administrative law. The leaders, and not as the Bishkek city judge has rightly said here: some old bloke who did the fetching and carrying gets charged and sentenced, while the criminals go free. [passage omitted]

I am addressing our prosecutor general and our ministers: I will give you a month for the three issues which I have raised here — falling domestic tobacco production, smuggling of foreign cigarettes, and excessive excise levied on legal imports. Name the organizations which carry out contraband imports of tobacco products. Name them. Name them. You know who they are. If you do not know, find out. If you do not find them I do not think we need such law enforcement organizations at all. We do not need them. We do not.

Here, the thought arises that perhaps these excise taxes have been made deliberately steep, deliberately unrealistic, in order to feed structures which are well-known to you and which carry out the contraband import of these tobacco products. [passage omitted]

Now for oil products. Given the existing excise rates for imported oil products — and as you know, we import 100 percent of them, Andrey Andreyevich Iordan [Kyrgyz trade and industry minister] can tell you the amount, down to the last liters or kilograms — the annual tax revenue should come to 260 million soms. However, in actual fact only 48.4 million soms has been collected over 5 months, while according to our calculations 110 million soms should have been collected over these months. So, where is the 62 million soms? Where is the 62 million soms, my dear law enforcement employees? It turns out that more than half of all oil products are imported by smuggling.

I can understand when they say cigarettes can be brought in in boxes or car trunks along mountain tracks where there are no customs, no police, no prosecution service, no National Security Committee, and no border guards. But please, tell me how you carry 350,000 tonnes of oil products along mountain tracks. Can it be done? What do you think? Maybe there is a trick to it; maybe they carry it on horses and carts.

Comrade ministers, I demand this of you: that we meet in a month's time without fail, that we gather again and have a purposeful discussion. We will discuss purposefully what we have [word indistinct] and achieved. You will have to say who is organizing the cover for the smuggling in of 350,000 tonnes of oil products. Who is organizing the cover? In whose interests is it being done?

I have concentrated on only three areas, where hundreds of millions of soms are concerned. I did not give out instructions, because the ministers are engaged in the same crimes as [word indistinct].

What conclusions can be drawn, dear members of the Government and law enforcement employees?

First, the law enforcement organizations have been unable to deliver any discernible blow to the mafia-impregnated and corrupt structures within the system of state organizations, and in the financial and banking sphere. I have to announce this as clearly and loudly as I can: you have betrayed the expectations of your people. You have betrayed the expectations of your people.

We met in this White House three months ago, and you said that you knew how to solve these problems, and that you would raise the effectiveness of your work. However, I will cite you figures which will show how well you are raising effectiveness. Criminal income over the whole of last year amounted to 99 million soms, while in five months of this year they have already grown to 371 million soms. This is according to your data, your data. I think it must be much more, much more. This means that you are working just fine today. It shows that there is a trend for law enforcement organizations and state structures and the criminal economy and mafia structures to converge. It is precisely the state structures and law enforcement organizations that are now acting as an umbrella, both in sun and rain. Or, as the saying goes, you are creating a safe haven for criminal elements. You are creating a safe haven for criminal elements.

The law enforcement organizations do not want to cleanse themselves of all those who collaborate with corrupt circles. You have seen this from our ministers' reports. They do not want to. They do not. They do not want to cleanse themselves. They do not even want to hear about it. They arrange special teams as bodyguards for dealers. Examples were cited, where Interior Ministry employees escort contraband freight as far as the frontier and bring them back here. They are involved in covering up criminal acts, the robbery of our citizens, extortion, and taking bribes at every turn. They are using all their professional qualities for personal enrichment.

You have to cleanse yourselves. You have to. Prosecutor General Sharshenaliyev has spoken about this here, so has Judge Mamyrov, and so has Osh Regional Prosecutor Mukashev. Let us finally begin cleaning up the law enforcement organizations. Let us do so. It will be impossible to talk about any kind of effective fight against crime, in particular economic crime, unless the law enforcement organizations clean themselves up. It is impossible to talk about it.

I think that the prosecutor general spoke here about competition and self-enrichment in officialdom and among law enforcement officials. We all know that a man is born to build a house, raise a son or daughter, and leave some legacy, some trace on the ground. But what is happening, dear friends? Today we are building several houses each and purchasing several cars of different makes. The ministers know this about their subordinates, and perhaps encourage them, too, otherwise they would have dismissed them. Comrades, this is becoming the norm, the morality, and the fashion of life.

Enough! Let us recognize when enough is enough! Stop it! Stop! There is still the Last Judgment. Fear God! Fear God! Although you see them suck the people's blood and rob them, you just watch, and most of you take part in it. May the spirit of Manas [legendary Kyrgyz hero] curse you! May the spirit of Manas curse you!

I demand of the ministers and Prime Minister Apas Dzhumagulovich Dzhumagulov that the ministers who have been named here must be dismissed at the earliest opportunity.

Why is the head of the government apparatus interfering in the affairs of the Committee for State Security? What right has he to interfere in investigations? What kind of person is he? An illegal minister, that is what. We do not have such a ministerial job or post as head of the apparatus in the Government structure.

[Unidentified speaker] He is absent from his [?office]....

[Akayev, interrupting] No matter how it happened, whether he [words indistinct], he must be dismissed.

There were also two speeches about the transport minister. Look into them, too. Look into it at a session of the government's Presidium, or wherever; it must be looked into, and such people must be dismissed immediately.

In conclusion, I would like to say this: the state programme for combating crime adopted by the Government on 13 May is not being carried out, and the Government is not overseeing this. While I was quickly preparing for today's session of law enforcement organizations and talking to the ministers, I became convinced that none of them is overseeing it, that the program is not being carried out, and that no one is making them answerable.

It has been rightly said here that some coordination has begun taking place; nevertheless, there is no constant supervision of the implementation of the program. I, therefore, consider that, with all the conclusions which the ministers must draw, the ministers must dismiss everyone about whom there is the slightest doubt. In turn, the Government must dismiss the ministers who are not carrying out their duties in the manner required by their obligations to their own people at this difficult turning point.

Let us meet in exactly one month and examine this issue with a report by the head of Government.

Thank you all. Goodbye.

President Akayev Hears Problems of Uighur Minority

LD1107082695 Bishkek Kyrgyz Radio First Program Network in Russian 1100 GMT 10 Jul 95

[FBIS Translated Excerpt] Recently, President Askar Akayev met representatives of the Uighur diaspora in Lebedinovka village of Alamedin District. They discussed the problems of the Uighur people, who have lived for many years side by side with the Russians, Germans, and representatives of other nationalities. The president agreed with the speakers in noting that the two fraternal nations have common interests which have to be combined, and that the problems which have accumulated over the years must be solved jointly.

In particular, the head of state promised to increase the number of students in the Uighur faculty at the National University, to open an Uighur school, to regularly send ethnic Uighurs to study at international higher educational institutions, and to give the ITTIPAK newspaper material support.

Askar Akayev also agreed with a proposal to place an Uighur representative on the staff of the Supreme Council. [passage omitted]

Security Committee Alarmed by Islamic 'Offensive'

*LD1007154295 Moscow INTERFAX in English
1344 GMT 10 Jul 95*

[FBIS Transcribed Text] Bishkek, July 10 (Interfax) — Heads of the Kyrgyz National Security Committee are "deeply alarmed by the offensive" being carried out by Islamic fundamentalists in the republican south.

Deputy committee head Miroslav Niyazov told correspondents in Bishkek Monday that many Muslim leaders, who are actively propagandizing Islam in the republic, have criminal records.

Over 1,000 mosques are functioning in the Osh region in southern Kyrgyzstan. Niyazov called for restoring the Committee on the Affairs of Religions for "permanent contact and interaction" with the clergy and for monitoring Muslims' actions in the Kyrgyz south.

Turkmenistan

Turkish Foreign Minister Pays Official Visit

Discusses Ties With Ministers

LD1007183695 Ashgabat TURKMEN PRESS in Russian 1645 GMT 10 Jul 95

[FBIS Translated Excerpt] Directions for the development of bilateral relations between Turkmenistan and the Turkish Republic were discussed today at intergovernmental talks in which a delegation led by Turkish Foreign Minister Erdal Inonu took part. Turkmen Deputy Prime Ministers Boris Shikhmyradov; Rejep Saparov; Hakim Ishanov; and Chary Kuliev, minister of foreign economic relations, together with the Turkish minister and his colleagues, conducted a special inventory on the implementation of cooperation projects between the two countries.

Capital investment by Turkish enterprises and businessmen in Turkmenistan's economy today amounts to almost $1.5 billion. The Turkish Government is continuing to work in this direction, seeking out possibilities to support cooperation projects with export-import bank credits. [passage omitted]

At a subsequent news conference for Turkmen and Turkish journalists, the Turkish foreign affairs minister expressed his great satisfaction at the results of the visit, noting the immense mutual desire to broaden and deepen mutually-beneficial links between the two states.

Answering correspondents' questions, Erdal Inonu emphasized Turkey's interest in buying Turkmen gas, and expressed the hope that the implementation of the plan to lay the Turkmenistan-Iran-Turkey-Europe gas pipeline should be accelerated. Turkey is making every effort to export Turkmen fuel to world markets, he said, confirming Turkey's great interest in the conduct of a regular session of the international council for organizing the export of Turkmen gas and oil to world markets in Vienna in September.

The development of cooperation between Turkey and Turkmenistan, Inonu emphasized, is proof that it has moved onto a new basis of partnership, characterized by such traits as irreversibility, durability, and strategic conditions.

Energy Called Key Area of Cooperation

LD1007195995 Moscow INTERFAX in English 1742 GMT 10 Jul 95

[FBIS Transcribed Text] Ashgabat, July 10 (Interfax) — Turkmenistan and Turkey give priority to the energy sector in terms of their cooperation, Turkish Foreign Minister Erdal Inonu said at the end of his visit to Turkmenistan.

He told a press conference in Ashgabat today that he welcomes the agreement on constructing a 140-kilometer-long gas pipeline from southwestern Turkmenistan to northern Iran, recently signed by Ashgabat and Tehran. "The quicker Turkmenistan carries out its alternative projects for gas export the sooner it will receive funds for economic development. In its turn Turkey is interested in delivery of Turkmen gas and its transit through Turkish territory," the Turkish minister said.

He said Turkmenistan and Turkey had discussed a large number of problems at their talks on July 9-10, including the participation of Turkish capital in the Turkmen economy. He said Turkish businessmen had already invested about $1.5 billion into Turkmenistan, "a fraternal country."

Turkmen Deputy Prime Minister, Foreign Minister Boris Shikhmuradov said the Turkmen government would do its best to attract Turkish businessmen to Turkmenistan.

When asked about the causes for the delay in implementing the Turkmenistan-Iran-Turkey gas pipeline project, Shikhmuradov said that it was important not to focus on "objective difficulties which are natural in such global projects, but to keep Turkmenistan, Iran and Turkey interested in this project."

He also said that the latest meeting of the interstate council on export of Turkmen energy supplies was expected to take place in Vienna in September. Shikhmuradov said that the fact that Austria, Germany and Great Britain had confirmed their intention to take part in the meeting proved that the difficulties in implementing the pipeline project "will be overcome."

New Turkish Ambassador to Turkmenistan Yigit Alpogan [name as received] was introduced at the press conference.

Uzbekistan

Turkish Prime Minister Concludes 'Busy' Visit

Ciller Stresses No Political Problems

LD1007124695 Moscow ITAR-TASS World Service in Russian 1137 GMT 10 Jul 95

[By ITAR-TASS correspondent Vilor Niyazmatov]

[FBIS Translated Excerpt] Tashkent, 10 Jul — Although the official visit by Prime Minister of Turkey Tansu Ciller to Uzbekistan was a short one — less than a day in all — the program of her visit was busy. [passage omitted]

"Turkey considers it to be its political and moral duty to help Uzbekistan in various spheres in the transitional phase it is going through," Prime Minister Ciller stressed in an interview to the Uzbek national agency. "There are no political problems between us. We believe that the documents signed during the visit and the joint economic commission will promote the development of economic and commercial links and the expansion of our cooperation. Moreover, the further expansion of cooperation in such important spheres as transport, banking, and agriculture is expected."

At the end of her visit to Uzbekistan Ciller left Tashkent today on an official visit to Baku.

Business Seminar Held in Tashkent

LD1107083595 Tashkent Radio Tashkent Network in Uzbek 1300 GMT 10 Jul 95

[FBIS Translated Text] Within the framework of Turkish Prime Minister Tansu Ciller's official visit to our country, a business seminar attended by representatives of trade and industry from Turkey was held in Tashkent today.

From the Uzbek side, the seminar was attended by heads of ministries, institutions, corporations, associations, banks, and other economic structures and enterprises. The guests were familiarized with the course of economic reforms in Uzbekistan, as well as with the investment situation. Aspects of trade and industry in which the Turkish entrepreneurs were interested were discussed during the exchange of views. It was explained that making the Uzbek national currency freely convertible increases the possibilities for foreign firms to become active in our republic.

The representatives of Turkish firms expressed interest in mutual cooperation, particularly in the textile and tanning industries, as well as in other branches.

Armenia

Karabakh Official Rejects Azerbaijani Proposal

NC1007161995 Yerevan SNARK in English 1140 GMT 10 Jul 95

[FBIS Transcribed Text] Stepanakert, July 10 (SNARK) — In an interview with SNARK NKR [Nagorno-Karabakh Republic] Foreign Minister Arkadi Ghukasyan stated that Tofik Zulfugarov, Azeri Deputy Foreign Minister, attempted to comment on the results of the recent Karabakh negotiations in Helsinki the way he would have wanted to see.

According to Zulfugarov, two ethnic centers with their own administrations should be established in Nagorno-Karabakh within a transition period, i.e. the OSCE Minsk Conference activity. The Azeri center is to be in Shusha and the Armenian center in Stepanakert.

However, Ghukasyan considers the Azeri delegation's proposal to be nonsense. Naturally it was rejected by other participants of the negotiations process including the representatives of the Minsk Conference co-chairmen. Ghukasyan is confident that the Azeri center already exists in Baku, and the Armenian center has been set up in Stepanakert.

According to Ghukasyan, Zulfugarov's statements on the achievements of the Azeri diplomacy relating the status of NKR, Lachin, and Shusha, and the guarantee of the security in the conflict region, etc. do not correspond the reality.

Ghukasyan said that those statements remind him of reports by former head of the Azeri Defense Ministry's press office Leila Yunusova who killed only in her reports hundreds of Karabakh soldiers, destroyed dozens of tanks, armored vehicles, aircrafts, and helicopters in Karabakh.

Ghukasyan concluded that Azerbaijan decided to start again propaganda in order one more time to try to deceive the Azeri people.

Karabakh Representative in Armenia Removed

NC1007201195 Yerevan Armenia's Radio First Program Network in Armenian 1900 GMT 10 Jul 95

[FBIS Translated Text] The Nagorno-Karabakh Republic [NKR] Foreign Ministry press service has informed ARMENPRES that Manuel Sargisyan, NKR foreign minister's adviser, who was also acting as the NKR's representative ad interim in Armenia, has been relieved of his post upon his request.

Iran Begins Delivery of Liquefied Natural Gas

NC0707165295 Yerevan SNARK in English 1124 GMT 7 Jul 95

[FBIS Transcribed Text] Yerevan, July 7 (SNARK) — Today the first lot of Iranian liquid gas has been delivered to Armenia. Liber Simonyan, first Vice-President of the "Armgazprom" corporation, informed SNARK that three cars with 53 tons of liquefied fuel arrived in Yerevan. Under the agreement concluded between the "Armgazprom" and the Iranian National Gas Company, Armenia will receive 3,000 tons of gas till September 1995. The Vice-President told that the gas should be sold to citizens as well as used in industry. Its retail price will be 200 drams per liter, twice cheeper than it costs today.

The second lot of fuel Armenia will receive on July 10-11. Simonyan noted that Armenia's total demand for gas is 20,000 to 25,000 tons per year. If the agreement is a success, new agreements might be signed.

Ruling Party Retains Position After Elections

LD1007195195 Moscow INTERFAX in English 1742 GMT 10 Jul 95

[FBIS Transcribed Text] YEREVAN, July 10 (INTERFAX) — The ruling Armenian National Movement-led Republic bloc will have 20 seats in the new National Republic, a new Armenian parliament, officials in the Central Election Commission told INTERFAX.

In voting for party tickets the women's party Shamiram representing chiefly the wives and other relations of top officials won eight seats, the communists six seats and the National Democratic Union and National Self-Determination won three seats each. Only these five parties have overcome the 5% barrier and will be able to have party groups in the new parliament.

In the Armenian parliament 40 members are elected on party tickets and 150, in constituencies by a majority vote. The ruling party has thus retained its leading position and will be able to control the new parliament.

The results of elections in the constituencies will be announced before July 15.

Azerbaijan

Turkish Prime Minister on Official Visit

Visit Agenda Revealed

LD1007141795 Moscow ITAR-TASS in English 1350 GMT 10 Jun 95

[By Sevindzh Abdullayeva and Viktor Shulman]

[FBIS Transcribed Text] BAKU, July 10 (ITAR-TASS) — A package of economic issues connected with the deepening of Azeri-Turkish cooperation, will be discussed during Turkish Premier Tansu Ciller's official visit to Baku which started today.

No signing of any agreements on these issues is planned, a spokesman for the Foreign Ministry of Azerbaijan told ITAR-TASS.

At the same time, according to confidential sources, a treaty on extending to Azerbaijan Turkish credits worth 250-350 million U.S. dollars for purchasing food products in Turkey, is expected to be signed in Baku.

Within the framework of her visit, Tansu Ciller is due to meet with president Geydar Aliyev of Azerbaijan, take part in the ceremony of opening a joint Azeri-Turkish bank and conduct consultations with representatives of the foreign petroleum consortium which signed last year with a state oil company of the republic an agreement on developing three oil fields in the Azeri sector of the Caspian Sea.

Turkey possesses a 6.75 per cent share in this project of the century. Its implementation will allow to extract over 500 million tons of oil within 30 years to come.

Turkey is also interested in the participation in other Azerbaijan's oil and gas projects, and Turkish petroleum companies are ready to join new foreign consortiums which are expected to be established in Azerbaijan for developing other sea oil fields.

Aliyev Receives Ciller at Airport

NC1007154795 Baku Azerbaycan Radio Televiziyasi Television Network in Azeri 1250 GMT 10 Jul 95

[FBIS Translated Text] The special airplane carrying the Turkish Prime Minister Mrs. Tansu Ciller landed at Bina Airport at 1500 [1100 GMT] Baku time. Azerbaijani President Geydar Aliyev warmly greeted Tansu Ciller near the aircraft ramp, and then the Turkish prime minister and Azerbaijani president inspected the guard of honor as the Turkish and Azerbaijan anthems were played. Students from the Turkish Lyceum in Baku were also among those welcoming Mrs. Tansu Ciller. Heydar Aliyev introduced the Azerbaijani state and government officials, ministers, and heads of committees and enterprises to Tansu Ciller. President Geydar Aliyev and Prime Minister Tansu Ciller made brief statements at the airport.

[Begin recording] [Aliyev] The Prime Minister of the Turkish Republic, our esteemed and dear sister and friend Mrs. Tansu Ciller, has arrived in Azerbaijan, in Baku. This is Mrs. Tansu Ciller's first official visit to Azerbaijan in her capacity as prime minister. I am very pleased that my invitation for an official visit was accepted by the Turkish prime minister.

Esteemed prime minister, our dear sister Mrs. Tansu Ciller, welcome to Azerbaijan, to your own home, your own country, your own land. The Azerbaijani people and society eagerly awaited your visit, and thank God that you have now stepped on the Azerbaijani soil. Very interesting talks are awaiting you here. Our society is eagerly looking forward to meeting you, and I hope that your stay here will open a new phase in the development of the ties of friendship and fraternity existing between Turkey and Azerbaijan. I again wholeheartedly greet you on Azerbaijani land and tell you: Welcome, dear friend and guest. I greet all the guests who have come with you from Turkey, and welcome them all. You are our dear guests, we receive you as exalted, lofty, and dear guests. Thank you.

[Ciller] Esteemed Mr. President, my very esteemed Azerbaijani brothers, I greet you all with love and respect. This is my second visit here. I was here only recently. However, the closeness you showed me aroused my desire to visit here as my own home. I am grateful for all of you for this. Whenever I come here you receive me as a true sister, as one of you, and show such closeness.

I am especially pleased to be here today. We were together here some time ago. This time around we will find an opportunity to jointly review the changes that have taken place since then. We will revitalize the ties between the two economies. Naturally, all the problems of Azerbaijan, the national problems of Azerbaijan, concern us very much. We will have an opportunity to reassess all the difficulties between Armenia and Azerbaijan. We, Turkey, have always been on Azerbaijan's side; and particularly regarding Azerbaijan's latest just cause, we have tried to do whatever was necessary within OSCE Minsk Group to solve this problem. I am more hopeful this time around because the cease-fire has been holding for more than one year and the Minsk Group talks are more dynamic. We, Turkey, will always contribute to this and take the side of our Azerbaijani brothers. We will continue defending their just cause in international forums.

I am accompanied here today by a large delegation, including businessmen. I hope that the ties between Azerbaijan and Turkey will further advance, our business ties, investments, and business opportunities will further develop, and our fraternal countries and peoples will become even closer. With these feelings in my heart, I longingly embrace all my Azerbaijani brothers and sons and daughters, and once more express the pleasure I feel at being here. [end recording]

Afterward, Turkish Prime Minister Tansu Ciller left for the city in a motorcade. The Baku residents gathered along the road warmly welcomed Turkish Prime Minister Mrs. Tansu Ciller with applause.

Turkish Prime Minister Tansu Ciller visited the Martyrs Alley and paid her respects to the brave fighters who lost their lives for Azerbaijan's freedom and independence, placed fresh flowers on their tombs, wrote heartfelt words in the visitor's book, and met the parents and relatives of the martyrs.

Ciller on Conflict With Armenia

LD1007165495 Moscow ITAR-TASS in English 1615 GMT 10 Jul 95

[By Sevindz Abdullayeva and Viktor Shulman]

[FBIS Transcribed Text] BAKU, July 10 (ITAR-TASS) — Azerbaijan favours a negotiated settlement of the Armenian-Azerbaijani conflict within the framework of the Organisation for Security and Cooperation in Europe (OSCE), Turkish Prime Minister Tansu Ciller said in Baku on Monday.

Ciller noted that the Turkish leadership will do its best to resolve this problem. She also stressed the need to free all occupied Azerbajani territories.

Not only Armenian-Azerbaijani relations, but the situation in the whole region depends on the resolution of the Karabakh conflict, Ciller said. She pointed to the need to stabilise the situation in Azerbaijan and develop economic relations between the two countries.

Azerbaijani President Geydar Aliyev echoed the Turkish premier by pledging to make Azerbaijani-Turkish relations more dynamic.

Aliyev, Ciller Hold Talks

LD1007180895 Moscow ITAR-TASS in English 1645 GMT 10 Jul 95

[By Sevindzh Abdullayeva and Viktor Shulman]

[FBIS Transcribed Text] BAKU, July 10 (ITAR-TASS) — Azerbaijani President Geydar Aliyev met visiting Turkish Prime Minister Tansu Ciller and expressed the confidence that her visit will help strengthen relations between the two countries.

Aliyev pointed out that the talks will focus on ways to settle the Armenian-Azerbaijani conflict, adding that Ankara supports Baku's position and plays an active role in the peace talks mediated by the Organisation for Security and Cooperation in Europe (OSCE).

He confirmed Azerbaijan's commitment to the ceasefire which has been holding for over a year now, stressing that the republic's ultimate goal is to put an end to the war and reach a negotiated settlement of the conflict with due respect for the territorial integrity and sovereignty of Azerbaijan.

The two sides will also discuss bilateral economic cooperation. He noted that the republic is in a deep economic crisis and is trying to resolve it by using its own potential and resources. However, cooperation with Turkey would facilitate this process, he added.

Ciller confirmed that Azerbaijan favours a negotiated settlement of the Armenian-Azerbaijani conflict within the OSCE conflict.

The Turkish premier noted that Turkey will do its best to resolve this problem. She also stressed the need to free all occupied Azerbaijani territories.

Not only Armenian-Azerbaijani relations, but the situation in the whole region depends on the resolution of the Karabakh conflict, Ciller said. She pointed to the need to stabilise the situation in Azerbaijan and develop economic relations between the two countries.

Azerbaijani President Heydar Aliyev echoed the Turkish premier by pledging to make Azerbaijani-Turkish relations more dynamic.

Before arriving in Azerbaijan, Ciller visited Uzbekistan where she signed a memorandum of mutual understanding to develop and strengthen economic and other ties, as well as facilitate exchanges between the two Turkic countries.

The signing was part of Turkish Prime Minister Tansu Ciller's first visit to Uzbekistan.

The two countries also signed a scientific and technical cooperation agreement and decided to set up a joint trade development commission.

The two parties agreed to simplify visa regulations in an attempt to boost tourism and promote business contacts.

At a joint news conference held by Ciller and Uzbek President Islam Karimov on Sunday, Karimov called on Turkish businessmen to show more interest in developing trade relations with his country.

"Come to my country, I will help you," he stressed.

Ankara agreed to give a 100 million U.S. dollar loan to Uzbekistan to support its economic development.

At present, 170 Turkish companies and joint ventures operate in Uzbekistan. Turkey is Uzbekistan's fourth trading partner. The 1994 bilateral trade volume rose to 143 million U.S. dollars compared to 75 million U.S. dollars in 1992.

Turkey and Uzbekistan have established a sound legal basis for relations between the two countries and are implementing a number of joint projects for the sake of peace and stability in the Central Asian region.

Education is one of the major areas of cooperation between Turkey and Uzbekistan. About 300 Uzbek students are studying in Turkey and over 100 Turkish students are studying in Uzbekistan. A total of 25 Turkish lyceums, including seven specialised secondary schools, currently operate in Uzbekistan. They are attended by over 3,000 children.

Baku Radio on Aliyev-Ciller Talks

NC1007200895 Baku Azerbaycan Radio Televiziyasi Television Network in Azeri 1648 GMT 10 Jul 95

[From the "Special Newscast"]

[FBIS Translated Text] The first official meeting with the Turkish Prime Minister Mrs. Tansu Ciller has been held at the presidential office.

[Begin recording] [Aliyev] Esteemed Prime Minister and our dear sister Mrs. Tansu Ciller and honorable guests:

Once again I welcome you to Azerbaijani soil. I thank you for your official visit to Azerbaijan. I am certain that the talks we will hold will help develop ties between Turkey and Azerbaijan and enable us to take new steps. I myself and all Azerbaijani citizens are very pleased with your official visit to Azerbaijan. I believe that your visit is also attracting the attention of the international public. I hope that your present visit will be successful and our talks will be held in sincere friendship leading to the development of ties of friendship and fraternity between Turkey and Azerbaijan. I sincerely greet you. I repeat that you have come to your own home, country, and land. Feel at home. And, I believe that our talks will be held in these conditions.

[Ciller] Thank you, esteemed Mr. President. As you know, I am returning to Azerbaijan after a very brief interval. I am very happy to come to a friendly and fraternal country. Your problems, your national causes, are closely followed by the Turkish people, who always support you. I have brought with me the love and greetings of the 60 million Turks and of our esteemed president. We have been closely following all your causes and have been raising your just cause at international forums. In particular, we took initiatives within OSCE for the solution of your just cause and regarding the disagreement existing between you and Armenia. We have always informed the world public that Turkey is ready to contribute within the Minsk framework to the solution of this problem. I am pleased to see that the cease-fire has been generally holding for more than one year, and that there is a tendency for the revival of Minsk group's activities. I would like once again to say that we are ready to do anything we can within this framework to reach a just solution.

This time I have come here with a large delegation of businessmen. This testifies to the importance I give to the revival of our cooperation and mutual economic ties. Within this context, we will also discuss economic issues today and will exchange views to ensure better economic cooperation.

We embrace the Azerbaijani and Turkish peoples as two fraternal peoples, and I repeat that I am happy to be here, and I greet all the Azerbaijanis as their sister, and convey them the greetings and love of the Turkish people.

[Aliyev] Thank you, esteemed Prime Minister. As you correctly stated, Turkey always closely follows and shows interest in all the problems of Azerbaijan. We always feel your support.

Armenia's military aggression against Azerbaijan in particular has caused a grave and difficult problem for the Azerbaijani people and their republic. You know that this military aggression has continued for the last seven years. Regrettably, over this period Azerbaijan's territorial integrity has been violated and 20 percent of its territory occupied by the Armenian Armed Forces. They are still under occupation; and houses, buildings, towns, cities, and historic monuments there are being destroyed. More than 1 million Azerbaijani citizens were expelled from these lands and made into refugees.

All these things have created a very sharp sociopolitical situation in Azerbaijan. You noted correctly that the cease-fire agreement signed in May 1994 has been our main achievement. The cease-fire has now been holding for more than one year. We will continue to adhere to it. In general, the Turkish Republic and its government have always given great support to Azerbaijan in its war against Armenia's aggression and in its political and diplomatic activity on the international scene. We gratefully note Turkey's intense activity and role in the talks being held within the OSCE and Minsk framework. We have always felt and still feel Turkey's support in the establishment of the cease-fire and its maintenance for more than one year.

As you know, however, our aim is to put a final end to the war, to ensure Azerbaijan's territorial integrity, and to return our more than 1 million refugees to their homes. We want to achieve this peacefully; and therefore we are acting very constructively, taking constructive steps, and making some concessions in the ongoing talks within the Minsk framework in order to attain peace. We will continue to work to solve the problem peacefully. However, our condition is obvious: Our condition is that Azerbaijan's territorial integrity and the inviolability of its borders and sovereignty be guaranteed. We are and will continue to hold these talks on this condition. We need and will continue needing Turkey's support on these issues. I believe that we will discuss these problems in our talks.

In addition to this, Azerbaijan is now experiencing a social and economic crisis and we are using our own domestic means to extricate ourselves from this crisis. But at the same time, economic cooperation between Turkey and Azerbaijan will be very helpful in extricating us from this situation. Our economic cooperation has reached a certain level, but I think that this level should not satisfy either Turkey or ourselves. That is, we have to work to intensify this economic cooperation. I hope that we will also discuss these problems.

You noted that businessmen have come here. As I informed you on your previous visit, we are working very hard to attract Turkish businessmen and investments. Undoubtedly we have to discuss these problems too. In addition, I want to brief you on many other issues, including the domestic situation in Azerbaijan; after all, we want to have consultations with you as the head of a friendly and fraternal country. I believe that we have the time, and you will not spare your time to discuss these matters. I am sure that all these things will help us to advance along a broader path. [end recording]

Georgia

Government Signs Agreement With Russia's Rosnergo

LD1007182995 Tbilisi Radio Tbilisi Network in Georgian 1700 GMT 10 Jul 95

[FBIS Translated Text] The press center of the head of state has reported that today, Eduard Shevardnadze, the Georgian head of state and chairman of parliament, received Anatoliy Dyakov, president of the Russian joint-stock company Electrification and Power Engineering [Rosnergo], (ES), and other representatives of the company. The meeting discussed prospects for joint work in power engineering by the two countries. An agreement in the power engineering sphere between the Georgian Government and the Russian joint-stock company (ES) was signed.

Shevardnadze Interviewed on Economy, Other Issues

LD1007134995 Tbilisi Radio Tbilisi Network in Georgian 0504 GMT 10 Jul 95

[Regular weekly studio interview with State Council Chairman Eduard Shevardnadze by journalist Nato Oniani — live]

[FBIS Translated Excerpt] [passage indistinct] [Shevardnadze] I will start, as usual, with a review of the economic situation, and I will also try to answer your specific question.

The country's economic life during the past week developed against the background of a significant social and political event, namely, parliament's determination, at its extraordinary session, of the constitutional procedure and of the date of elections to the supreme bodies of power. We will probably return to this issue later.

It is remarkable that this important phase of Georgia's political history coincided with an international recognition of trends toward economic stability. The allocation of a so-called standby reserve loan and the second tranche of a loan for system transformation facilities is proof of this recognition. I have already mentioned that this loan totals about $150-160 million and is a noticeable injection for our economy to revive and to slightly improve our population's living standards. [passage omitted]

The past week was also remarkable for the fact that complex processes of macroeconomic stabilization, the revival of Georgia's industry and agriculture, an increase in budget revenues, and improvements in the population's social security continued. We will hold a traditional meeting of heads of central organizations and regional authorities, probably during the last week of July, to summarize the results of the processes during the first half of the year. I believe the conference will be interesting and useful.

Here are more details. According to more or less accurate data provided by the Finance Ministry, the republic's budget received almost 50,000 billion coupons through tax revenues and grants during the first six months of 1995. Of these, 27,000 billion coupons were received in the second quarter, i.e., 20 percent more than in the first quarter. Budget revenues excluding grants have increased by 26 percent. Positive shifts can be observed in local budgets. It is encouraging that arguments over local budgets have given way to real and concrete work.

According to the republic's tax inspectorate, the targets for the second quarter have been met. Gains tax revenues totaled 10,500 billion coupons, which is 159 percent of the target; excise duty totaled 673 billion coupons, 142 percent of the target; income tax collected from physical entities totaled 4,000 billion coupons, 132 percent of the target. [passage omitted] However, there still are enterprises and organizations that conceal their incomes and evade transactions with the budget. [passage omitted]

After my harsh criticism in last week's radio interview, the bakery products corporation took extraordinary measures to radically improve the situation in budget payments. Managers of bakeries with large debts have been punished. [passage omitted] According to the tax inspectorate, about 2,000 billion coupons were paid into the budget by bakeries during the week under review. [passage omitted]

During my interviews I always mention the work done by the customs department because this agency should be permanently in the focus of the public's attention. During the past six months, the budget received payments the equivalent of $2.609 million in various currencies from the customs department, compared with $208,000 received during the same period of the previous year. [passage omitted]

The customs office of the seaport of Poti paid $377,000. I have to say that this is an insignificant sum. We have replaced the town administration. I hope Nugzar Nadaraia [new Poti mayor] will take the issue more seriously and that the Poti customs office will contribute more substantially to the implementation of the budget. [passage omitted]

We have to make a decision on enhancing the customs services. This will need special discussion. I would like to repeat that by my own estimates, tax revenues — and especially incomes from customs duties — make up only 55-60 percent of what the state should actually receive from them. I mean, the reserves are huge.

As of 1 July, the Treasury has been established within the system of the Finance Ministry in accordance with a decree by the head of state and through the good offices of the ministry staff members and Minister Davit Iakobidze. This is a new notion for Georgia. The sphere covered by the Treasury will gradually expand and our population will soon realize what this novelty means for our state, our economy, and our finances.

We have to speed up the drafting of the 1996 budget. It is primarily the Cabinet of Ministers, the Finance Ministry, and the Economics Ministry that have been instructed in this respect, but others have been instructed too. I believe this should be done as planned and that parliament should discuss it in due course.

Regulations for holding special [privatization] certificate auctions were drawn up in the Georgian Ministry of State Property Management last week. You can recall that we spoke about this the other day. I would like the population to know that our attention is focused on this. [passage omitted] Offices for submitting applications for the auctions have been opened in all towns and districts. Applications for participating in the first auction are now being accepted by the offices. Regulations have been drawn up on registering, stocking, returning, and repaying privatization certificates. [passage omitted]

Thus far, industrial enterprises, both state-run and privatized, have been run at 15-20 percent of their potential workload. I appeal to the Industry Ministry to ensure the full utilization of our potential, regardless of forms of proprietorship. Moreover, Georgia's power engineering system more or less manages to supply sufficient electricity to the enterprises.

The rural economy faces certain difficulties at present, but crops are being harvested. Crops have been harvested from 16,000 ha of the lands damaged by drought. One hectare yields about 14-15 quintals of grain. This is a fair result given the circumstances created by hail and other natural disasters. Work is being impeded by faults in supplying fuel to rural areas. [passage omitted]

Repair work within the electric power systems is being carried out at an increased pace. The authorities discuss problems relating to the restoration of the Tbilisi State District Power Station every day. I would like once again to thank our German friends who rendered substantial assistance and allocated a loan that is virtually aid because this is a long-term interest-free loan. I also want to thank the European Bank, which has basically resolved to finance repair work at No. 10 power-generating unit.

I have to mention the significance of a visit by a very authoritative delegation of power engineering experts from Russia, which starts today. [passage omitted] We will specify and determine the level of cooperation and partnership between the energy structures of Russia and Georgia in accordance with principles acceptable for both sides. If we reach serious agreements during the visit, yet another reserve source will emerge to secure normal conditions in the winter. I do not mean just for a mild climate; I mean we will have enough electricity to supply the population and industry. I am sure the Russian Government will support our efforts to implement existing agreements, first of all the one on restoring high-voltage lines across the Caucasus ridge, which is a rather complicated and difficult task.

Now, an answer to your specific question. Calls are now being made for the suspension of the privatization process. I would like to state clearly that hindering any activities during a transitional period is unjustifiable. To call ahead of an election for everything to be suspended until elections are held is unacceptable because this will result in a disaster.

I hold the opposite view that while preparing for elections, the authorities should become more firm, order should be maintained more firmly, the processes leading our country toward the market economy should be speeded up, and there must be no delays. The alternative is to wait for the election; the country will then have new authorities and a new parliament which will need about six months to familiarize themselves with their new jobs and grasp what needs to be done.

I believe that preparations for the elections, the elections themselves, and their results should help speed up the changes in the country. I believe this will be the case.

[Oniani] Speaking of power engineering, I would like to recall that you said that energy relations between Georgia and Russia have recently improved. Energy is politics. This is one thing. But Russia's reaction to the floods in Abkhazia created an impression that certain people within Russia's authorities have been waiting for an opportunity to give a helping hand to the separatist regime, despite the decisions made at the CIS summits in Almaty and Minsk.

In an address to the second congress of the Union of Citizens of Georgia yesterday, you said that the route of Russo-Georgian relations passes through Sukhumi and Tskhinvali [capital of former South Ossetia]. Incidentally, Mr. Vazha Lortkipanidze, the Georgian ambassador to Russia, formulated the idea in an interesting way. He said the conflicts in Georgia started with Russia's interference, ended with Russia's participation, and will not be settled without Russia's intervention.

However, by this recent move, Russia infringed not only the documents agreed with Georgia but also the documents adopted at CIS level — I mean the Minsk and Almaty documents.

[Shevardnadze] I said it yesterday. I believe no one doubts that I, with others, support the creation of real friendly and neighborly relations — fresh relations — with great Russia, our great neighbor. A lot has been said about it. However, if we want these fresh relations to be created and become reliable and firm, we should base them on the truth. If we turn our back on the truth, the friendship and neighborhood will be built upon a very unreliable foundation. It was not accidental when I said that the routes of the friendship and neighborly relations passes through Sukhumi and Tskhinvali. This is where our sincerity in relations is tested. Good relations, good neighborly relations, cannot be built without such sincerity.

[Oniani] This concerns not only Georgia. There are other CIS countries which have relations with Russia and some have rather complicated relations. Russia's fair stand in relations with, say, Georgia will determine how far these countries can trust Russia.

[Shevardnadze] I agree with you. You know, this is the issue of abiding by fundamental standards. I know that there are one or two countries that decided to help the Abkhaz and Abkhazia and cover the damages caused by the recent floods and natural disaster. They phoned us, told us what they wanted to do, and asked permission. And, we said that we were ready to put Tbilisi airport or Sukhumi airport at their disposal.

[Oniani] This is Georgia and they are citizens of Georgia.

[Shevardnadze] However, the action we spoke about yesterday at the congress of the Union of Citizens of Georgia cannot be attributed to humanitarianism.

I really regret that an clearly worrying symptom has emerged — that agreements signed by the CIS countries may become a mere paper. I have realized that this danger exists. The danger is not in the aid — 10 billion rubles more or less does not really matter. It is the symptom that worries me. And, in addition, no one even thought of phoning me at least once to say: We intend to do this, but do you think this could hamper the good trends that have shaped the relations between the two countries in recent years?

I wish this were a rare exception. Everyone can get assistance, but this should be done in compliance with standard world practice. These practices should be abided by.

This last action, I would say without exaggeration, is an infringement of Georgia's sovereignty.

Besides, what can we tell the 300-350,000 people driven out of Abkhazia, and they include tens of thousands of ethnic Russians. As far as I know, only about 2,000 to 3,000 ethnic Russians still remain in Abkhazia; the rest have been driven away. So, these people have been starving and suffering for two years and thousands of them are in Russia's territory.

I would refrain from other comments at the moment while expecting better and hopeful decisions.

It was said at yesterday's congress that some Duma deputies regard Abkhazia as an integral part of their country. I believe time will define everything and time will remedy everything.

[Oniani] Last week, parliament discussed the draft constitution, or rather considered the adoption of the constitution, and specified the date of elections at the extraordinary session you called. The U.S. ambassador assessed this in this way: Georgia is in the vanguard of the newly independent states because many other states and many other presidents dare not hold fresh elections. Georgia, however, can be proud — and here I am quoting Mr. Kent Brown — that it is in the vanguard of the newly independent states in the process of democratization.

[Shevardnadze] The 4 July parliament sitting is of almost historic significance. There is no longer any doubt that the constitution, or at least its major part, will be adopted and that elections will be held at the time stipulated by the law. This is very important.

Kent Brown's assessments are fair and impartial. That is why his country, as well as the whole democratic community, actively supports our progress toward a new economy and a new political structure. I have asked my foreign friends to plan sending as many observers as possible to Georgia. I am talking of the United States, Europe, Russia, Azerbaijan, Armenia, Ukraine, and other countries. We need really democratic and really free elections, and our people have to prove that Georgia is prepared for this. We all have to try our best to ensure that guns, money, and slanderous campaigns do not extinguish the spark of joy we got from the first results of democratic changes. [passage omitted]

That a political struggle is unavoidable before any elections is normal in a pluralistic and democratic country. But if we want to secure a place within the democratic community, this sort of struggle should be conducted within the limits of law, in compliance with ethical norms, in the circumstances of sound criticism, sound thoughts, and fair competition.

However, it is clear from the newspapers that torrents of slander have already begun to flow. Various versions have appeared, I mean versions which are not founded on anything. This can be regarded as political terror. Perhaps it does not destroy a person's body but his mind is affected and suppressed.

I appeal to everyone, all journalists, and opposition newspapers — I have said that this is not the fourth estate but rather the first one, and this is true especially during a period like this — to behave correctly and act in the interests of the country. Georgia's future will very much depend on how we manage this great task at this crucial time.

[Oniani] An international forum of intellectuals called a Dialogue of Cultures for Solidarity and against Aggressiveness and Irreconcilability will begin in a few days. It is symbolic that the forum has been initiated by the country which has often been a victim of aggression and irreconcilability.

[Shevardnadze] I would briefly comment on the forum to be held in Tbilisi. If the Dialogue of Cultures forum, as we have called it, is held at a high level — and it cannot be a low-level one because participants of the highest caliber are arriving — it will certainly become a tradition. [passage omitted]

[Oniani] Finally, [Russian Federation Council Chairman] Vladimir Shumeyko will soon arrive in Tbilisi. How significant will this visit be for further relations between Russia and Georgia?

[Shevardnadze] Before speaking about the significance of the visit, I would like to say a few words about his personality. Vladimir Shumeyko is one of the leading political figures in today's Russia and is an outstanding representative of the Russian political elite.

In order to build fresh Russo-Georgian relations the two countries need continuous impetus. As I have said, even one event can add a drop of poison and can fail. Continuous impetus, continuous care is needed. A visit by the chairman of the Russia's Federation Council to Georgia will be one such significant occasions. I believe this will be an extremely sincere, extremely amicable, useful, and effective dialogue.

[Oniani] Thank you very much.

You have been listening to the chairman of the Georgian parliament and head of state, Mr. Eduard Shevardnadze.

Opposition Party Adopts Charter, Elects Committee

LD1007201595 Tbilisi CONTACT INFORMATION AGENCY in Russian 1250 GMT 10 Jul 95

[FBIS Translated Text] Tbilisi — The United Republican Party [URP] of Georgia has held its first congress, which adopted a charter and elected a URP national committee. MP Nodar Natadze, who is leader of the People's Front, was elected committee chairman.

Estonia

Vahi, Gaydar Sign Cooperation Protocol

LD1007125595 Tallinn Radio Tallinn Network in Estonian 1700 GMT 8 Jul 95

[FBIS Translated Excerpt] Yegor Gaydar, chairman of Russia's Democratic Choice Party, continued his visit to Estonia today. He met representatives of several parties. Gaydar, a former Russian prime minister, signed a cooperation protocol with Estonian Prime Minister Tiit Vahi, chairman of the Party of Consolidation. Gaydar said the negotiations with Vahi today had been successful and would help to improve relations between the two countries.

[Begin Vahi recording] We signed the protocol at 0915 this morning. In principle, this was a cooperation protocol in which we expressed the wish to support each other and, through this, to support the continuation of the process of democratization and reforms both in Russia and Estonia.

We agreed to exchange information and agreed that if one side organizes international events, it will inform the other about this, and the other side will take part in them when possible. [end recording]

Vahi said the cooperation agreement with Russia's Democratic Choice Party was concluded, first and foremost, because the Party of Consolidation and Russia's Democratic Choice both subscribe to political liberalism. Tiit Vahi and Yegor Gaydar also have ties of friendship from 1992, when they both were prime ministers. [passage omitted]

Gaydar on Baltics Joining NATO

LD1007141695 Tallinn Estonian Television Network in Estonian 1800 GMT 8 Jul 95

[FBIS Translated Excerpt] Yegor Gaydar, the chairman of Russia's Democratic Choice, is visiting Estonia at the invitation of [Estonian Prime Minister] Tiit Vahi, chairman of the Party of Consolidation. Vahi and Gaydar signed a cooperation protocol and spoke at an economic seminar organized by the Party of Consolidation and the Estonian Central Association of Industries and Employers. [passage omitted]

[Correspondent] Gaydar does not think it would pose any threat to Russia for the Baltic states to join NATO.

[Begin Gaydar recording in Russian] We think that the expansion of NATO is not a threat to Russia's interests. The point is that by its very nature there can be different attitudes toward it. NATO is an organization incapable of aggressive actions because of its decision making mechanism. It takes a sick imagination to conceive of the Danish, Norwegian, and Luxembourg governments agreeing to attack Russia. [end recording]

Krylov Prepares for Upcoming Russo-Estonian Talks

LD1107091295 Moscow ITAR-TASS in English 0849 GMT 11 Jul 95

[By Albert Maloveryan]

[FBIS Transcribed Text] Tallinn, July 11 (ITAR-TASS) — The Estonian side again told Russian Deputy Foreign Minister Sergey Krylov here that, in its opinion, the Russo-Estonian relations should be based on the Tartu Peace Treaty of 1920.

Krylov came to the Estonian capital to prepare the ground for upcoming talks between the foreign ministers of the two countries. He will meet Estonian Foreign Minister Riivo Sinijarv and Prime Minister Tiit Vahi. The sides are expected to discuss the current state and prospects of Russo-Estonian economic relations and the border issue.

Estonia, as it is known, does not officially recognise the present ground border between the two states, regarding it as a "temporary control line". It claims that the true Russo-Estonian border was fixed by the Tartu Peace Treaty, when a part of the present Leningrad and Pskov regions were handed over to Estonia. They were returned to Russia after the Second World War.

The Estonian authorities are ready to make a slight compromise in the border issue if Russia recognizes the Tartu Peace Treaty of 1920. However, Russia adheres to a later act — the Treaty on the Basic Principles of Inter-State Relations, signed in 1991. It recognises Estonia as a legal subject within its present borders.

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